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Economic Affairs

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ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Publication Announced of New Series Devoted to Economic History

18200157 Moscow *OBSHCHESTVENNYE NAUKI*
in Russian No 6, 1988 pp 177-182

[Article by candidate of economic sciences B. Myasoyedov, chief of the editorial office at the "Ekonomika" Publishing House: "Economic Heritage Reinstated"]

[Text] The "Ekonomika" Publishing House has embarked on preparing the series "Economic Heritage" in cooperation with the Division of Economics of the USSR Academy of Sciences and its Economic Institute. Creating the series is no ordinary matter. The point is to return to Soviet scientists a tremendous theoretical treasure created both in our country and abroad.

It is apparent that an analysis of contemporary economic reality cannot be fully meaningful if a scientist cannot draw on the entire heritage of Marxist researchers over one and a half centuries, on the critically reevaluated works of representatives of various schools of socialist thought and the most outstanding bourgeois authors. It is impossible to fully understand the present condition of the Soviet economy without a profound investigation of the entire economic history of our country. Meanwhile, many works which have reflected many centuries of national experience and vital creativity of the people, intensive search by the scientific thought, works containing evaluations of all the advantages and disadvantages of economic decisions were kept for many years and decades in special storage units of state libraries, and were actually not available to readers. Perestroika will knock the locks off these sepulchres.

At present, they talk and write a lot about "blank spots" in our history. To our mind, they are particularly numerous in economic history for obvious reasons. Much work on restoring the truth about the past, on returning works by scientists of previous generations—undeservedly forgotten, passed over in silence for many years or subjected to biased interpretations—is in store for the science of economic history. This work is necessary in order to assert modern economic thinking, ultimately destalinize economic history research and develop it on the basis of socialist pluralism.

It is believed that publishing the "Economic Heritage" series will be of interest not only for economists, but also for representatives of many other sciences, because these are works of a socio-economic, philosophical-economic and synthetic nature.

How is the series being created? What will be included in it? What are the principles for selecting and publishing works?

In the summer of 1987, the Bureau of the Economic Division of the USSR Academy of Sciences passed a special resolution "On Developing Economic History Research." It was resolved to organize systematic republication of major works by economists of the past within the framework of the "Economic Heritage" series. The "Ekonomika" Publishing House was given this assignment.¹ An editorial board headed by Director of the Economic Institute of the USSR Academy of Sciences Academician L. Abalkin was charged with providing scientific direction. The editorial board consists of major scientists, such as Academicians A. Aganbegyan, A. Mileykovskiy, A. Rumyantsev, Corresponding Members of the USSR Academy of Sciences P. Volobuyev, L. Gatovskiy, N. Petrakov and others.

Work on developing the concept of the series and designing a plan for it began last year. Scientists from leading research centers of our country, representatives of both academy-affiliated centers and teaching colleges, were drafted. In an effort to make this process democratic in nature, the publishing house solicited suggestions and remarks on the draft plan from leading economic institutes, colleges, editorial boards of magazines, etc.

As a result, four topical groups of publications were established: history of pre-revolutionary economic thought in Russia, history of Soviet economic thought, history of foreign economic thought, history of the national economy. It is expected that both monographs and collected works (selected works by individual economists) and topical collections (discussions, sets of documents, archival materials) will be published.

The circle of authors introduced into scientific circulation is quite varied. Thus, publishing books by A. Kaufman, I. Kaufman, M. Kovalevskiy, I. Kulisher, Yu. Kuchinskiy, and A. Pogrebinskiy in the series devoted to the history of the national economy is expected. Foreign economic thought will be represented by mercantilists, physiocrats, classics of the bourgeois political economy (W. Petty, A. Smith, D. Ricardo) and creators of the vulgar bourgeois political economy (J.-B. Say, T. Malthus, D. Mille, D. B. Clark, K. Rodbertus, etc.).

Western economic thought of the 20th century will be reflected in the works of renowned researchers such as J. Schumpeter, P. Sraffa and others.² We believe that a translation of "The History of Economic Schools from the Physiocrats to Our Time" by S. Jide and S. Riste will be interesting. Publishing works by F. Lasalle and K. Kautzki will undoubtedly enrich our concept of the Marxist direction of economic thought.

Works by classics of the Russian economic thought such as I. Pososhkov, N. Ziber, N. Flerovskiy were published in the USSR in the 1950s, but became rarities long ago. This is also the case with economic works by N. Chernyshevskiy. This is why we are planning to republish them. Within the framework of the series, the reader may become acquainted with the works of Slavophiles and

Narodniks, with the works of members of the "Free Economic Society," selected works by A. I. Chuprov. It is planned to publish a collection of materials on the discussion among Russian economists of the late 19th and early 20th century on the theory of value, the role of the community, theory and practice of the cooperative movement. A special publication will be devoted to the works of adherents of the mathematical school of political economy in Russia. This enumeration of names and topics is far from complete.

However, as has already been mentioned, we see our main tasks in returning to the reader the Soviet economic thought of the 1920s and 1930s, which was undeservedly renounced and defamed in the period of personality cult, first of all, works by Lenin's comrades-in-arms and contemporaries. Undoubtedly, these works will play a role in a transition from the administrative command system of management to the economic one, in developing new economic thinking, in getting accustomed to the conditions of socialist pluralism of opinions in science.

The task for our series is to give a new life to the works by Academician N. Bukharin, to world-renowned writings by N. Kondratyev and A. Chayanov, to the works of presently rehabilitated G. Zinovyev, L. Kamenev, Yu. Pyatakov, A. Rykov—all of those who shaped the economic science and practice of the first Soviet decade. It is important to place their works next to published writings by F. Dzerrzhinskiy, V. Kuybyshev, G. Ordzhonikidze, N. Voznesenskiy. This will benefit not only economists, but also representatives of other disciplines.

Concepts about the ideological and moral instability, supposedly characteristic of the attitudes and behavior of the Soviet intelligentsia in the 1920s and 1930s, spread in the years of the cult of personality. In the period of stagnation, an updated version of such a concept circulated. Publishing the volumes of "Economic Heritage" devoted to the Soviet economic thought of the 1920s and 1930s will reveal to a broad scope of readers the real, rather than distorted in these years, spiritual image of the people's intellectual, who was unswervingly dedicated to the scientific truth, which for him was inextricably linked with the future of the socialist state.

Collections of writings generated by scientific discussions of the 1920s are included in the plan of the series. These were discussions on the subject and methods of political economy, on the scope of this science, on the impact of the law of value in the Soviet economy, on the new economic policy, on planning, management and scientific organization of labor, agrarian discussions. Special volumes will be devoted to the issues of cooperative development in the Soviet economic literature of the 1920s and a discussion in conjunction with preparing the 1929-1931 reform. Selected writings and separate works by V. Bazarov, A. Bogdanov, N. Kondratyev, N. Osinskiy, Ya. Nikulikhin, D. Rozenberg, I. Skvortsov-Stepanov, S. Solntsev, G. Feldman, A. Chayanov, and L.

Yurovskiy will be brought out. All of these works have been completely withdrawn from scientific circulation for many years. Undoubtedly, the work by I. Blyumin "The Subjective School of Political Economy," which became a classic, but has not been republished since the early 1960s, will be of interest. All these books will sort of carry on the tradition of the publishing house originated in 1983 by the publication of "A Commentary to 'Das Capital' by K. Marx" by D. Rozenberg.

The postwar years became an important milestone in the development of Soviet economic thought. Collections on the economic discussion of 1951 and on the discussions on improving planning and economic incentives preceding the reform (1955-1965) will be devoted to this period.

The publication of the yearbook "Issues in the History of the National Economy and Economic Thought" (edited by V. Zhamin) should facilitate a more profound understanding of the heritage of the past. The "Ekonomika" Publishing House will embark on publishing it in 1989. It is expected that materials on the methodology of economic history research will be published. A roundtable discussion on the topic "Economists and Historians: A Search for Areas of Interaction of Sciences" is planned. The 1989 yearbook will include works such as research papers by G. Popov on the peasant reform of 1861, and by G. Shmelyev on the collectivization of 1929-1933 in the USSR, S. Tsakunov on Bukharin's views on the economy of the transitional period, materials entitled "Soviet Economic Thought of the 1920s and 1930s—A Return of Ideas and People." Readers interested in the history of the national economy and economic thought will receive scientific and reference biographies of Soviet economists with bibliographies of their work. The well-known work by J. Schumpeter "History of Economic Analysis" will be published.

What will be offered to the readers of the "Economic Heritage" series at first?

The series will be inaugurated by the topical collection "On the Unified Economic Plan" which includes documents by Lenin and party and state documents, pamphlets by S. Gusev, A. Kaktyn, G. Krzhizhanovskiy and L. Kritsman. The materials published reproduce texts of 1920 through 1922 and show the mechanism of preparing documents on creating Gosplan. As is known, at present this agency is the subject of profound and justified criticism. Addressing the time Gosplan was created, the polemics of the 1920s may facilitate the search for ways to restructure its operations. These debates reflected the confrontation between adherents of the economic and administrative, command methods of management. The foreword and comments accompanying the book portray individuals who took an active part in the planning work of the first state planning agency in the world at the stage of its emergence.

It is planned to republish in 1989 the fundamental work by A. Bogdanov "Tektology. The General Science of Organization" (1913-1928). It is intended for a well-prepared reader, familiar with Lenin's evaluation of the works of this author. The book is interesting, because some of the statements and notions developed within the framework of tektology ("chain linkage," "the minimum principle," etc.) may be used in building systems models of economic processes and solving planning and economic problems. Interest in the ideas of "Tektology" increased due to the development of cybernetics and general systems theory. Along with all other works in the series, the work by A. Bogdanov will be accompanied by an introduction, an extensive reference apparatus, and a biographical description of the life and activities of the author—an economist, a sociologist, a philosopher, a physician, a theoretician of culture, a revolutionary.

It is expected that "Social Foundations of Cooperative Ventures," a work by the major Russian economist Tugan-Baranovskiy, written in 1915 from positions approximating the Marxist, will also be published in 1989. The book is a detailed investigation of the development of theory and practice of the cooperative movement in Europe in the 19th and early 20th century. In the future, works by A. Chayanov and A. Rykov on the issues in the theory and practice of cooperation, and research on the history of the Russian labor cooperative are expected to be brought out in "Economic Heritage."

Works by N. Konndratyev and A. Chayanov, representatives of the genuine Russian intelligentsia, first-generation descendants of the peasant community, are returned to the Soviet reader in the aura of world recognition. Their names are linked by Moscow, economics, agrarian issues, and their tragic fate: twice tried for the same crime they have not committed, after an interval of 7 years, shot and twice rehabilitated after 25 years.

The book by N. Kondratyev "Problems of Economic Dynamics" will include works on the cycles and crises of the world capitalist economy, the methodology of researching economic processes, scientific prediction and forecasting, planning under socialism. His articles on the Soviet economy, his debate with S. Strumilin return the reader to the issue of the first volume of the series—"On the Unified Economic Plan." The publication reproduces in full "Large Business Cycles. Reports and Discussion at the Economic Institute" (1926). There is an excerpt from a letter on trends written to his wife from the Suzdal Isolation Prison (1934).

Collection of works by A. Chayanov "Organization of Peasant Farming" includes writings on this topic, on the theory of labor farms, an article on the optimum size of enterprises and on the theory of location of agricultural production. At the time, works by A. Chayanov were not appraised objectively. On the eve of the 1930s rural areas became the front of artificially aggravated class struggle. The agrarian science became an impediment in the way of the administrative-command economics, and the

power of technocracy overcame this science. A modern evaluation of the works by A. Chayanov, recognized the world over, is necessary in order to recreate the genuine picture of development in our country in the transitional period and to restore the objective picture of history of our economic science. At present, when the ideas of cooperatives are given a new impetus, when collective, brigade and family contracts and various forms of leasing arrangements are being reborn in the actual economic practice, A. Chayanov's ideas should be given a second life.³

In 1990, the series will be complemented by selected economic writings by N. Bukharin and A. Rykov, a topical collection "Russian Laborer Team: Research, Materials, Documents," as well as the work by K. Kautzki "The Agrarian Issue" written in 1899, which was highly regarded by Lenin.

The long-range topical plan of "Economic Heritage" includes over 100 titles. Publishing the works envisaged calls for profound consideration and a special learned apparatus for the publications. In addition, the course of preparatory work on the first volumes of the series has shown that the texts are dispersed in libraries, archives, journals and newspapers. The degree to which the materials have been studied is extremely poor. This creates additional difficulties. We hope that these and other difficulties will be overcome through the joint effort of scientists, publishers, archive employees and printers and with the support of society.

They say that books themselves create no new schools in science. However, support given by books is also necessary in order to develop and sustain such schools. The "Economic Heritage" series has adopted the motto of the Soviet Cultural Fund—"preserve, adopt and multiply."

Footnotes

1. It is planned to expand the series "Western Economic Thought" published by "Progress" Publishing House simultaneously. It is also planned to organize the publication of works on economic history at "Nauka" Publishing House.

2. In this area, we strive to complement the already mentioned series of "Progress" Publishing House. In the past decade, it published works by the prominent economists D. Keynes, D. S. Mille, A. Marshall, T. Veblen, J. Robinson and others. Several works by D. Galbraith were published.

3. Let us add that "Moskovskiy Rabochiy" and "Sovremennik" Publishing Houses plan to bring out a one-volume selection of fiction by A. Chayanov.

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Abalkin Supports Reform of Socialist Ownership
18200097a Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 45, Nov 88 pp 10-11

[Article by Academician L. Abalkin, director of the USSR Academy of Sciences Economics Institute: "Renewal of Socialist Ownership." The article was prepared on the basis of a paper at the all-union scientific conference "Problems of Socialist Ownership: Structure and Restructuring of the Forms of Economic Realization" held in October in Vladimir.]

[Text] The times in which we are living characterize a most complex and critical stage of perestroika. The way so far has enabled us to effect a number of changes in the economy and social consciousness and to sense the entire depth and complexity of the impending tasks and also the possibility of the wheel-spinning of the measures which are being adopted.

It is today sufficiently clear that if the renewal does not affect the deep-lying seams of public ownership, perestroika will be unable to advance successfully. In addition, if we fail to consolidate its first steps with radical transformations in the system of ownership relations, a backsliding is possible. This makes particularly significant the measures geared to the renewal of socialist ownership.

Abandonment of Simplistic Ideas

Understandably, not only the role but also the responsibility of economic science for the elaboration of the corresponding problems are growing. We face the necessity not simply of progress but of a qualitative breakthrough in the development of economic theory. Historical experience, the scale of knowledge of our past and current problems demand precisely such a breakthrough. It is essentially a question of the formation of a new paradigm within the framework of Marxist-Leninist economic theory. Such a formulation should not embarrass us. We need to constantly remember Lenin's well-known proposition that "we by no means regard Marx's theory as something consummate and inviolable; we are convinced, on the contrary, that it has laid merely the cornerstones of the science which socialists *must* advance in all directions if they do not wish to lag behind reality" (vol 4, p 184). These words could be a guide to comprehension of the problems of the further development of theory, historical experience and revision of evolved dogmatic assertions and simplistic notions.

The USSR Academy of Sciences Economics Institute has analyzed Lenin's theoretical legacy pertaining to the economic system of socialism. This analysis has led us to conclude that V.I. Lenin's ideas concerning the socialist economy were constantly being developed, refined and enriched. In other words, what is typical of any science occurred: progress, revision of outdated formulas, enrichment with new lessons. Our analysis has shown also that V.I. Lenin did not manage to complete the

formation of his new views associated, as he wrote in the article "The Cooperative System," with a fundamental change in "our entire viewpoint concerning socialism" (vol 45, p 376). For this reason it is a question not of finding in Lenin's works ready answers to current problems and prescriptions as to how to act in this instance or the other. The task is to master the permanent methodology of Leninist analysis and the ability to study and critically interpret historical experience.

A most pressing task is the formation of a new type of economic thinking, both scientific and general. Also needed here is a breakthrough and transition from simplistic ideas and thinking in two-dimensional space to multi-dimensional thinking capable of reflecting the entire wealth, complexity and multilevel nature of social phenomena.

Understanding the Dialectics of Development

Two-dimensional thinking and deliberation per the "either-or" principle are incapable of comprehending the problem of the multilevel nature of ownership relations and the multi-subject nature of these relations. For example, if the state is the owner, the outfit is not; if the outfit is the owner, the state may no longer be such. Understanding the dialectics of this process and the complex, contradictory combination of phenomena whereby the outfit becomes the owner on condition that the state does not cease to be such is impossible within the framework of the traditional two-dimensional thinking.

The new thinking is connected with the formation of genuinely scientific ethics. Scholars in the social science field must accustom themselves to the idea of speaking the truth, only the truth and nothing but the truth. If there is a god in science, this god is truth. Service thereof is the sole thing which gives science the right to call itself a science and affords it the possibility of performing its responsible role before society. We have paid dearly for having departed from these propositions and must not repeat the mistakes.

The result of the lengthy work of the scientific team of our institute, primarily of the General Problems of the Political Economy of Socialism Department, on study of the problems of socialist ownership, was presented in a paper for discussion at the recent all-union scientific conference in Vladimir. We regard this paper as an intermediate stage of the research. Considerable time will be needed for the formation of a comprehensive, consummate concept of socialist ownership, the regularities of its development and forms and mechanism of economic realization. Such fundamental problems cannot be solved at a stroke.

The key to the solution of the problem of ownership lies not in its autonomous analysis but in study of ownership against the background of the sum total of organizational-economic and sociopolitical relations. We need to

start with a comprehension of the regularities of social progress and the development of human civilization. Armed with historical lessons, we now understand that the progress of society, the progress of human civilization, includes both the aspect of negation and that of inheritance and continuity. We understand that each subsequent step of society's development must absorb all that is best that has been accumulated by preceding development. This applies to the cooperative system, the market, democratic institutions and standards of morality. We must learn to clearly distinguish in economic processes themselves some social and economic content reflecting society's ongoing development, its progress and the specific socioeconomic forms and singularities typical of this formation or the other.

Diversity of Forms and Structures

A fundamental singularity of social progress is the natural complication and growth of the diversity of forms and structures. Yet the notion of social progress as development leading to simplification and standardization and the creation of uniform forms and structures was until recently prevalent in scholarly literature. This led to an understanding in the past of the development of socialism as a monotonous movement from diverse forms of ownership toward one sole form.

Interpreting the lessons of the past, we are today coming to conclude that the growth of the diversity and the increased complexity of social relations, structures and institutional forms are a regularity of social progress. This applies also to the development of ownership, including the natural process of the enrichment of its forms and the diversity of the organization of economic life and models of economic accountability.

But the old ideas will not disappear of their own accord. Let us take such a very important and now pressing question as the comparative value of the different models of economic accountability—the first and the second. In connection with leasing relations a third economic accountability model is taking shape also. Arguments among scientists very often revolve around proof of which of these forms or models is best. But such arguments are pointless. They are based on a refusal to recognize natural diversity and a search for one sole standardized model good for all of life's contingencies.

Such an approach is manifested also in other questions of the formation of the new economic mechanism, when attempts are made to find some universal solution capable all at once, rapidly and in accordance with a single connexion of solving all problems. This is frequently how we approach leasing relations also. It is sometimes believed that it is sufficient to transfer the whole economy to leasing relationships and then all problems would be solved. This type of thinking represents a past stage, the yesterday of science. It is not the first time that we have attempted to find one sole, hidden model, some "I spy," in the belief that it would be sufficient to apply it

for all to be well. This is that same traditional type of thinking. Merely the techniques have changed, the approaches remain the same. Trying to find a common form of management and operation for the Baltic and Central Asia, for the European and Asian parts of Russia, for large and small-scale enterprises is hopeless. And regardless of the experience and cultural habits of the population, technology and organization of production, historical traditions and so forth, what is more.

Diversity of approach is a fundamental principle of the concept and intent of perestroika emanating from the 27th party congress. It was at that time that it was said that, as distinct from past economic reforms, we were abandoning attempts to find common forms and methods of management for all sectors and regions of the country. This logical diversity creates the objective basis making it possible to really develop independence and initiative and permitting the democratization of social life and affords an opportunity for a free comparison of different versions and the choice of those which best suit the given specific conditions.

The System-Forming Approach

But in speaking of the diversity of forms and structures we must guard against their mixup per the "sacks on the mill" principle and the addition of increasingly new elements without streamlining the system and without structuring it. It is the diversity of forms and the objective logic of development in this direction which demand a system-forming approach to a study of economic phenomena which is sharper than in all other instances.

It is necessary in studies of ownership to distinguish its structure-forming or fundamental forms and also the diverse secondary, derived, mixed and transitional types of ownership. An ability to distinguish fundamental structures and see the wholeness of the process is exceptionally important for an understanding of the social nature of ownership relations. Discoursing on any form of ownership (be it a small-scale cooperative system or individual labor ownership) and its nature and social type while abstracting oneself from the system-forming connection means condemning oneself to a purely logistical analysis.

In connection with the question of the diversity of the forms of ownership there arises that of the criteria of their, if you will excuse the term, socialistness. And only a sum total of these criteria provides an evaluation of whether a given form of ownership is socialist or not. The introduction of diverse criteria enables us to maintain that if ownership is nominally state ownership, but leads to lax management or low efficiency, it cannot be considered socialist.

I believe that, of the entire diversity, two important criteria of the socialistness of forms of ownership may be distinguished. One is of a general economic nature,

reflects the general logic of progress and shows that a given form is more progressive than the preceding form. This general approach is contained in K. Marx's well-known propositions concerning the law of time saving, which remains the first economic law under the conditions of collective production, and also in Lenin's propositions concerning the decisive role of productivity in the victory of the new social system. We must be sufficiently stringent in such evaluations so as to prevent the elevation of backwardness to a feature inherent in socialism as a whole.

There are also specific criteria of socialistness connected with the solution of problems of universal employment and the creation of a system of social guarantees and confidence in the future. But here also, as concerns the specific criteria, it is necessary to progress. Thus if the workman is alienated from ownership, if the outfit is not in actual respects the true owner of the means of production and their unconditional manager and if the workman perceives himself to be a day-laborer and time-server, such ownership may hardly be called socialist.

Socialism and Progress

An analysis of these questions leads to a problem which the development of human society approaching the end of the 20th century has moved to the center of attention. A dilemma has arisen in the historical confrontation of the two systems. One social system ensures the high efficiency of production, the high quality of output, saturation of the market with consumer goods and services and rapid and flexible restructuring in accordance with S&T progress. But a high price has to be paid for this: unemployment, lack of social protection, society's indifference to the fate of the individual and uncertainty as to the future. The other system ensures full employment, social protection of the individual and a collectivism whereby no one is left to fend for himself. But all this has to be paid for with low production efficiency, imbalance on the consumer market and an unreceptiveness to S&T innovations.

Is socialism capable of resolving this dilemma? Is the socialist society capable of securing the highest production efficiency without the loss of its social values? Not only the future of our society but also the future of human civilization as a whole depends on the answer to these questions.

The answer could, I believe, consist of three parts. First, given the forms of organization of the economy, the control of society and the political structures which have taken shape historically and which exist currently, socialism is incapable of accomplishing this task. We have proven this. And given continuation of the current structures and an absence of revolutionary restructuring, nothing better is to be expected.

Second, socialism is in principle capable of achieving the highest efficiency combined with the humanism of social life if it finds and activates methods more powerful than under capitalism capable of arousing man's social and labor assertiveness and more powerful stimuli of social transformations. They may be created only thanks to the formation of a truly proprietary attitude. The socialist nature of socialist relations and the extent of their maturity may be evaluated in accordance with the degree of development of this attitude.

Third and finally, socialism is capable of tackling the said tasks only by having absorbed all that is best that has been created by human civilization and having become the godfather of these achievements.

This answer contains also a program of the revolutionary renewal of ownership and the sum total of social relationships.

Speaking of diversity, it is necessary to consider the natural connection between the level of actual socialization of production on the one hand and the forms of ownership and management on the other. It is actual socialization which makes for the diversity of economic relationships and the structures and forms of management.

Take, for example, the level of socialization in such spheres as energy or railroad transport. These are uniform systems. Socialization technologically and economically attains its maximum level here. They take shape within the framework of the single national economic complex and, naturally, should be a subject of all-state ownership. But whereas things are more or less clear when it comes to railroad transport, what about the bus fleet, for example, of the city of Vladimir? Can it be considered all-state property, the property of Muscovites and Novosibirskers, Kievans and citizens of Minsk? If so, matters need to be taken to their logical conclusion: this subject of state ownership should be managed from the center, from Moscow. And we adhered for several decades to such logic.

But perhaps a particular municipal ownership takes shape within the framework of all-state ownership in accordance with the level of actual socialization: public utilities, urban mass transit, consumer service, trade? Logic proceeding from an understanding of the level of actual socialization (and urban mass transit and public utilities are not socialized on the scale of the state) leads precisely to such a conclusion.

Whence it is but one step to the conclusion concerning the nonidentity of all-people and state ownership both in terms of subjects and social thought. When we have state property whereby the workman and the outfit are not and do not perceive themselves to be its real managers, is this property (qua state) genuinely all-people in terms of its socioeconomic import? We are now criticizing the administrative-command system and its inherent defects

and attempting to break with it, albeit unsuccessfully at times. But while condemning this system and its characteristic methods, we usually leave untouched the theoretical formulas which form the basis thereof. It is a question primarily of the absolutization of the state form of ownership and management, of the alienation of the workman from the means of production and management associated with this absolutization and a failure to comprehend the multi-subject nature of all-people ownership.

Economic Reform and the Political System

An analysis of ownership cannot be made autonomously, in isolation from studies of the political system, social relations and moral and cultural values of society.

Experience shows that changes in ownership relations do not automatically lead to serious results if they are not buttressed by transformations in intellectual life and the system of values and moral categories. Our reform in the economy has currently run into most serious opposition on the part of the traditional system of values and structure of requirements and the motives of labor activity associated with them. We have often been forced to impose the new forms of management by coercive, administrative methods. Without having loosened and broken with the current stereotypes and structures of consumption, without having created a new system of values and reference points and without having developed man's requirements, we will be unable to successfully solve the problems of economic reform.

In many key sectors associated with modern technology and science we are coming up against not a lack of capital investments or new technical ideas and not bureaucratic methods of management even but primarily against the extremely low standard of labor.

And we need to investigate how with the aid of a renewal of ownership relations we may summon into being this entire set of necessary changes. After all, only by complementing and enriching one another may they produce a result. Economists must see the entire richness and complexity of the problem, not oversimplifying either for themselves or for society the nature of the impending tasks.

It is against such a wide background that the question of the economic reform's interaction with the restructuring of the political system arises. The restructuring of the political system is a fundamental process, exceptionally profound and diverse. It cannot be reduced to changes in the electoral system or changes in the interaction of individual structures of the machinery.

It is necessary to remember Lenin's well-known proposition that "policy begins where there are millions; not where there are thousands but where there are millions, it is only there that serious policy starts..." (vol 36, pp 16-17). Can the political assertiveness of millions be

activated without a change in ownership relations? And can ownership relations be changed without these millions having been made active subjects of policy? The question of the subjects of policy is no less complex than the question of the subjects of ownership. The masses, particularly at a revolutionary time, must be the subjects of policy, and not spectators in the arena of political events.

The restructuring of the political system is a serious business. It presupposes profound, radical transformations no less serious than the reform in the economy. And the problems cannot be oversimplified here, the entire business being reduced to the formation of a state where there is rule of law. K. Marx observed in his "Critique of the Gotha Program" that "the law can never be above the economic system and the cultural development of society which it conditions" (vol 19, p 19). The law-based state emerges as a product of the development of the civil society. "...The civil society is the true center and arena of all history," it "has at all times formed the basis of the state and any other... superstructure" (vol 3, p 35).

Rules of law should not be imposed but inferred from the objective logic of social development. This does not mean that the law is passive. It performs an active role, and its influence on social progress is determined by how fully and precisely it reflects the logic and normalities of the development of the civil society.

Restructuring of Finance Ministry Detailed

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[Article by D. F. Kovalevskiy, chief of the Department of Personnel and Educational Institutions, member of the board of the USSR Ministry of Finance: "Restructuring and Personnel"]

[Text] The April (1985) Plenum of the CPSU Central Committee and the 27th party congress initiated a new stage in socialist development aimed at a qualitative renewal of Soviet society and restructuring. The revolutionary renewal is based on a radical reform in economic management and democratization of social life.

The restructuring of economic management requires the execution of a fundamentally new financial policy, implementation of a radical reform in the financial mechanism, and intensification of its effect on an acceleration of the country's social and economic development, rise in the efficiency of public production, strengthening of state finances, expansion of economic independence, and increase in the responsibility of enterprises (associations). The decree dated 17 July 1987 of the CPSU Central Committee and the USSR Council of Ministers "On Restructuring the Financial Mechanism and Raising the Role of the USSR Ministry of Finance Under the New Conditions of Management" determines the main paths in restructuring the financial

system and fundamentally new approaches to the organization of financial interrelationships in the national economy based on the requirements of the USSR Law on the State Enterprise (Association). Financial relations of enterprises (associations) with the state budget and superior bodies of management, as well as the management of finances of regions, are to be built on the basis of long-term stable normatives and financial norms. It is considered necessary to transform the payments of enterprises for utilized resources into the basic source of budget revenues. These and other measures should contribute to the financial recovery of the national economy as a whole and to the strengthening of monetary circulation in the country.

In accordance with the decree the USSR Ministry of Finance must fundamentally reexamine the style, methods, and forms of work of the central apparatus and finance agencies under the new conditions of management. The realization of this demand is closely connected with an improvement in the selection, disposition, and training of personnel, increase in their responsibility for the job entrusted to them, and rise in the occupational level of workers. Work with personnel should be closely connected with the set of measures aimed at implementing a radical restructuring of the financial mechanism and improving all the aspects of activity carried out by bodies of the financial system.

About 1 year has already passed since the June (1987) Plenum of the CPSU Central Committee, which adopted the program for a fundamental restructuring of economic management. How did workers of the financial system work during that year and how did the content of their work and its style and methods change? This was a difficult and crucial time, because it required the restructuring of thinking, overcoming of existing stereotypes, and comprehension of the forthcoming path. The first, most difficult, concrete steps have been taken.

The practical improvement in the work of the system as a whole and of the central apparatus was based on requirements for restructuring the activity and organizational structure of the USSR Ministry of Finance and a 30-percent reduction in the ministry's central apparatus. We prepared ourselves in advance for this. In the structure of the apparatus we abolished small links, selected the staff, and engaged in its rejuvenation. We did not fill the vacancies that appeared. The reduction was begun in April 1987. The central apparatus of the USSR Ministry of Finance had 32 independent structural subdivisions. For the purpose of improving the structure ten administrations and departments were reorganized. A total of 6 departments and 37 leading personnel posts were abolished in administrations. The central apparatus was reduced by 74 units. By the end of 1987 the apparatus, basically, was ready for a reorganization and a reduction.

In early 1988 the problem of continuing the begun work on restructuring the activity and organizational structure of the central apparatus was examined at the ministry's

board. Conferences were held in the party committee with secretaries of party organizations and in the joint committee of trade-union organizations, activities were conducted with chairmen of trade-union bureaus, and all ministry workers became acquainted with the decision adopted by the board. The periods of measures for reducing the staff were determined and a commission was formed for examining the structure of the ministry's subdivisions, placing released workers in jobs, and analyzing statements and complaints of specialists. During the following month structures of the ministry's subdivisions were formed, reduced posts were determined at meetings of labor collectives, workers were given notices about this, and their job placement began.

The order of the USSR minister of finance approved a table of organization for the ministry's central apparatus envisaging a staff reduction of 380 people.

What has been attained as a result of the preparation for and implementation of the reorganization of the central apparatus and its reduction?

First, the narrow departmental direction in the activity of subdivisions was eliminated and the role and importance of consolidated and functional departments was increased significantly. The number of independent administrations (departments) was reduced by 37 percent, totaling 20 units.

A transition was made to the formation of the structure of the ministry's central apparatus in the form of departments. Large consolidated departments were established: state budget, state revenue and tax, finance and monetary circulation, and currency and economic departments. The management of the Department for Financing the Agro-Industrial Complex, the Currency and Economic Department, and the Finance and Monetary Circulation Department was entrusted to deputy ministries, who, at the same time, were chiefs of these subdivisions. The activity of basic functional subdivisions was concentrated on financing national economic complexes: fuel-power and metallurgy, chemical and timber, machine building, agro-industrial, construction, social development, transport and communication, consumer goods production, and other complexes. Consolidated economic planning subdepartments or groups were established in basic functional departments. The posts of chief specialists were introduced in them. When the structure of the ministry's central apparatus was refined, 40 subdepartments, 10 posts of chiefs of departments (administrations), and 23 posts of their deputies were abolished. The proportion of managers in the total apparatus comprised 23.4 percent.

Second, basic areas of work were reinforced with highly skilled specialists and there was a renewal of personnel. For example, in the last few years about 190 workers were promoted to responsible posts in the apparatus, including 106 specialists, to managerial posts. Highly skilled specialists V. G. Panskov, V. K. Senchagov, Yu.

F. Alpatov, V. V. Barchuk, Yu. A. Danilevskiy, Yu. M. Zemskov, B. A. Minayev, G. K. Shekhovtsov, and others, who developed in practical work, were appointed directors of the ministry and of departments. The composition of department chiefs was renewed almost fully and of their deputies and subdepartment chiefs, to a significant extent. Young promising specialists with the necessary practical experience were appointed to managerial work. More than 150 people left for a deserved rest. All this made it possible to significantly improve the combination of personnel of older generations and young workers and to ensure a more correct observance of the requirements for succession in work. Whereas at the beginning of 1986 in the ministry's central apparatus one out of seven specialists was of pension age, today, only one out of 17. Among the managerial staff the proportion of pensioners was reduced to more than one-third. For comparison we will note that in the individual subdivisions of the ministry specialists of pension age worked in virtually all managerial and responsible areas. Their proportion in the total number, for example, in the Control and Auditing Administration and in the Administration of Personnel and Educational Institutions, comprised 37 percent, in the Administration of Precious Metals, 20.5 percent, in the Administration of Culture and Public Health and in the Social Security Administration, more than 17 percent. The average age of department chiefs was lowered from 58 to 52 years, of their deputies, from 53 to 49, and of subdepartment chiefs, from 52 to 42.

Today in the ministry's central apparatus 97.5 percent of the nomenklatura posts have been replaced with specialists with higher education. The apparatus includes 6 doctors and 25 candidates of economic sciences.

The qualitative and quantitative composition of personnel of the ministry's central apparatus makes it possible to conclude that it is capable of performing the role of the sector's headquarters and of accomplishing tasks connected with the restructuring of economic management.

Third, the improvement in the structure and personnel composition of the central apparatus required from every worker more active specific practical actions in the area entrusted to him, high-level organization, discipline, and principled nature. Main emphasis is placed on a decisive change in the style, forms, and methods of work by managers and specialists, bringing them into conformity with present requirements, and eradication of administrative command methods of management, pursuit of narrow departmental interests, red tape, and excessive paperwork. All this is carried out in the course of restructuring the financial mechanism for the purpose of intensifying its effect on the development of the country's economy.

A whole set of measures for a financial improvement in the national economy, strengthening of monetary circulation, and improvement in financial-budgetary and

territorial planning, tax policy, and currency and financial levers of foreign economic activity was developed after the June (1987) Plenum of the CPSU Central Committee. These problems are solved in close interaction with the preparation for the reform in price formation and restructuring of the bank system and the credit mechanism.

The transfer of enterprises of national economic sectors to full cost accounting and self-financing was a major step in the process of economic reform. It is carried out with due regard for the experience of ministries, whose enterprises worked on the basis of full cost accounting as of 1 January 1987, and the requirements of the USSR Law on the State Enterprise (Association). For the group of USSR ministries and departments, whose enterprises were transferred to full cost accounting as of 1 January 1988, significant changes and supplements were introduced into the system of formation of normatives. The payment for labor resources stipulated by the USSR Law on the State Enterprise (Association) was introduced. More substantiated norms of charge for productive capital, which, as far as possible, were uniform for subsectors (groups of enterprises), were approved and privileges connected with this charge were reduced. This intensified the role of payments, which in the total amount of payments to the budget comprised 50 to 60 percent in ministries. Deductions into the centralized fund for the development of production, science, and technology and into the ministry's reserve were regulated. In most cases they do not exceed the amount of payments to the state budget. In distribution relations such a procedure makes it possible to attain a better combination of general state interests and the interests of labor collectives of enterprises. It is envisaged that 70 percent of the additional profit (in excess of that adopted in calculations and economic normatives) will be left in the economy and utilized for an improvement in the finances of enterprises and the creation of financial reserves.

During the formation of the 1988 draft budget ministries, whose enterprises were transferred to full cost accounting and self-financing, worked out the financial plan according to a reduced range of indicators. At the same time, a number of accounting forms for the financial plan were abolished. The preparation of methodological directives for the development of five-year financial plans for a sector and an enterprise is now being completed.

New methods of planning and economic stimulation were widely introduced into the agro-industrial complex. The system of budget financing and payments from the profit (income) of enterprises and organizations of this complex to the budget was improved. A transition was made to the normative method of provision of farms with material and technical resources, purchases of agricultural products, and determination of the wage fund. Kolkhoses, sovkhozes, and other agricultural enterprises were transferred to settlements of accounts with the

budget from the profit (income) according to stable normatives set with due regard for the economic evaluation of land and provision with fixed capital and labor resources. The USSR Gosagroprom and its local bodies were granted the right to redistribute budgetary appropriations according to the directions of their use. The introduction of new forms of settlements of accounts with the budget and of financing expenditures on the development of agro-industrial production increased the interest of enterprises and organizations in an efficient utilization of funds and strengthened their responsibility for an improvement in the economic indicators of management.

Basic Tenets of the Fundamental Restructuring of Economic Management approved by the June (1987) Plenum of the CPSU Central Committee set the task of connecting the economic base of soviets of people's deputies with the results of economic activity of enterprises located on a corresponding territory and restructuring on the basis of normative principles the formation of republic and local budgets.

The maximum possible strengthening of the financial basis of territorial budgets is the main path of improving the financial situation in regions. It is envisaged building financial interrelationships among budgets on a long-term normative basis. In connection with this the revenue part of state budgets should be formed from the following: payments according to normatives from the profit (income) of enterprises and organizations subordinate to local soviets and other revenues assigned to these budgets; deductions according to stable normatives from the charge for labor and natural resources of enterprises and organizations of a superior subordination located on a corresponding territory, as well as from the profit (income) of these enterprises; additional deductions from the turnover tax at fixed rates (percent) in relation to the volume of retail trade turnover of state trade; deductions according to stable normatives from general state taxes and revenues; other revenues of republic and local budgets in accordance with the legislation of the USSR and Union republics in effect.

Beginning in 1988 the USSR Ministry of Finance has changed the procedure of financing budget institutions and organizations and has stopped withdrawing from them the saved funds and reducing appropriations for the next planned period by this sum. The saved funds remain at the disposal of institutions provided the indicators of activity are fulfilled and are used for social and production purposes.

The USSR Ministry of Finance is developing proposals for improving the system of collecting the turnover tax and strengthening its stimulating role in the production of consumer goods. The transition to collecting the turnover tax on most goods and articles in the sphere of production is to be completed during the 11th Five-Year Plan. The rates of this tax are now revised once in 5

years, which ensures stable interrelationships of enterprises with the budget. It is envisaged expanding tax benefits for enterprises embarking on the output of consumer goods.

Serious changes have taken place in tax policy in connection with the development of cooperative and individual labor activity. The Ukase dated 23 April 1987 of the Presidium of the USSR Supreme Soviet "On Introducing Changes and Supplements in Some Legislative Acts Concerning Problems of Taxing Citizens" for individuals engaged in this activity reduced existing income tax rates significantly. This made it possible to stimulate individual labor and to enlist a large number of citizens in cooperatives. Subsequently, with due regard for the accumulated experience and public opinion the system of taxing income derived in the sphere of individual labor and cooperative activity was improved for the purpose of ensuring greater social justice. The Ukase dated 14 March 1988 of the Presidium of the USSR Supreme Soviet "On Taxing Citizens Working in Cooperatives for the Production and Sale of Products and Provision of Services, as well as on Changing the Procedure of Issue of Patents for Engagement in Individual Labor Activity" introduced a new system of income tax rates for individuals working in cooperatives. The procedure of issue of patents for engagement in individual labor was also changed.

For the purpose of strengthening the control over the observance of tax legislation, it was considered advisable to form special tax inspectorates in local finance agencies. They are established within rayon, rayon in cities, and city (cities without a rayon division) finance administrations (departments). The posts of chief tax inspector-auditors, senior tax inspector-auditors, and tax inspector-auditors are introduced into tax inspectorates, as well as into ministries of finance of autonomous republics and kray, oblast, okrug, and city (cities with a rayon division) finance administrations (departments).

The USSR Ministry of Finance carried out work on revising the financial legislation on departmental normative acts and bringing them into conformity with the USSR Law on the State Enterprise. About 3,000 normative acts were analyzed. More than 400 of them concerning matters of finance, credit, and settlements in the national economy were considered invalid or were changed.

As is well known, giving up purely administrative methods of management is the characteristic feature of restructuring. For example, the approval of maximum appropriations for maintaining the administrative apparatus and limits of the number of these workers, as well as the approval of appropriations for keeping official passenger cars, has been revoked for associations, enterprises, organizations, and institutions. Furthermore, limits of the number of official passenger cars are not approved for associations, enterprises, and organizations transferred to full cost accounting and self-financing.

The setting of annual assignments for reducing the size of the managerial personnel and expenditures on its maintenance has been revoked. Nor will the tables of organization of this personnel and the estimates of expenditures on its maintenance be registered.

The USSR Ministry of Finance carries out economic and analytic work on improving the organization of the managerial apparatus. The work of finance agencies on staffs is restructured so as to organize, on the basis of the transmission of advanced experience in the organization of management, business-like cooperation with enterprises in the solution of problems of improving the managerial apparatus and reducing its cost.

For the purpose of expanding independence, the USSR Ministry of Finance granted managers of finance agencies the right to approve tables of organization without taking into account the norms and correlations of the number of managers and specialists and to establish salaries without taking into account the average salaries according to the scheme within the limits of the wage fund approved by a superior body. It was permitted to utilize up to 70 percent of the wage fund savings obtained from the reduction in the numerical strength for establishing salary increases for highly skilled workers of the apparatus for achievements in labor and the fulfillment of especially important assignments at the rate of up to 50 percent of the salary.

Fourth, improvement in the structure, content, style, and methods of work of the ministry's central apparatus served as an impetus for a change in the work of local finance agencies and opened new opportunities for them.

The development of democratic principles, expansion of glasnost, and rise in the role of labor collectives in the solution of production, social, and personnel problems was a reliable guideline in personnel policy. Work with personnel was carried out most purposefully in finance agencies in the Ukrainian, Belorussian, Kazakh, Georgian, Moldavian, and Latvian SSR and in a number of autonomous republics, krays, and oblasts of the Russian Federation. The new approaches and forms and methods of work with personnel are used here to a greater extent.

Many finance agencies practise a competitive filling of vacant posts of managers and key specialists (the Ukrainian, Georgian, and Tajik SSR), as well as their election, and a discussion of candidacies at expanded meetings of the party and trade-union aktiv (the Ukrainian, Belorussian, and Moldavian SSR). The personnel reserve is formed with an active participation of labor collectives.

Many production, social, and personnel problems are now solved at meetings of labor collectives. In addition to the election of managers and selection of candidates for the reserve, character references for workers are approved, housing, bonuses, and passes are distributed, and awards are given with the participation of collective members. For example, character references for deputy

ministers and chiefs of administrations (departments) were approved at meetings in the Kazakh SSR Ministry of Finance, and for 378 managers, in local finance agencies. Reports by managers to collectives on work in the assigned areas are entering practice. For example, a total of 552 managers were heard in Ukraine's finance agencies last year.

Surveys were conducted among specialists by means of questionnaires for a study of managers' businesslike and moral qualities. The Department for Personnel and Educational Institutions conducted surveys by means of questionnaires in finance agencies of the Uzbek, Latvian, and Tajik SSR and Krasnoyarsk Kray. The Kazakh SSR Ministry of Finance carried out a survey by means of a questionnaire with respect to 107 managers. The Georgian SSR Ministry of Finance conducted a sociological survey among the collective of the central apparatus concerning the suitability of the minister and his deputies for the posts held—all of them received support.

The renewal of managerial personnel in all links and at all levels is proceeding in a planned manner in the financial system. In 1987 two ministers and six deputy ministers of finance of the Union republics, about 30 chiefs (heads) of kray (oblast) finance administrations (departments), and 268 heads of rayon (city) finance departments were appointed and the management of the Main Administration of Production of State Bank Notes, Coins, and Medals and other subdivisions was reinforced.

A total of 5,500 young specialists, including 1,100 people with higher education, were assigned to finance agencies last year. Furthermore, 2,600 practical workers finished higher educational institutions and tekhnikums by correspondence. A total of 10,800 people continue their education by correspondence.

As of 1 January 1988 in finance agencies 98.4 percent of the nomenklatura posts are filled with specialists, of whom 42.4 percent have higher education. On the basis of age workers of finance agencies are characterized by the following data: under the age of 30, 36 percent and 50 years old and older, 12 percent, 4.6 percent of whom are of pension age. A total of 76 percent of the nomenklatura workers are women. In the Kirghiz SSR all nomenklatura posts are staffed with specialists with higher and secondary specialized education. In the Ukrainian SSR this saturation has reached 99.9 percent and in the Latvian, Kazakh, Turkmen, Belorussian, and Moldavian SSR, from 99.9 to 99.1 percent. A number of krays and oblasts in the Russian Federation have attained a good staffing with specialists: Kemerovo and Magadan oblasts, 100 percent each; Rostov, Vologda, and Orenburg oblasts and Maritime Kray, from 99.7 to 99.5 percent. The highest proportion of specialists with

higher education is in finance agencies in the Armenian, Georgian, Azerbaijan, Ukrainian, and Tajik SSR and in Murmansk and Magadan oblasts of the RSFSR—60 percent, on the average.

Under the conditions of restructuring the activity of finance agencies special responsibility is placed on the apparatus of managerial personnel. The 27th party congress and the January (1987) Plenum of the CPSU Central Committee stressed that success in the accomplishment of the tasks of accelerating the country's social and economic development largely depends on managers. The modern manager should be characterized by high professionalism, knowledge of the principles of management science, a developed economic thinking enabling him to see the future, moral purity, and the ability to organize and train people.

As before, in the financial system much attention was paid to improving the composition of the most numerous category of managers—heads of rayon and city finance departments. As of 1 January 1988 a total of 99.9 percent of this category of workers had specialized education, including 85 percent, higher education. In the finance agencies of the Tajik and Turkmen SSR all heads of rayon (city) finance departments have higher education. At the same time, as before, there are few heads with higher education in finance agencies of the RSFSR, Lithuania, and Latvia.

Reserve training is one of the important conditions for improving work with managerial personnel. At present 85 percent of the managerial posts in finance agencies are provided with a reserve and 57 percent, in state insurance agencies. In 1987 more than 3,500 workers at finance and insurance agencies were promoted to managerial posts, of whom 2,600 people received training as part of the reserve.

To raise the occupational level of candidates in the reserve, both traditional and new forms of training are used. They perform the duties of managers during the period of their prolonged absence and carry out various assignments for the purpose of acquiring and intensifying knowledge and experience. Theoretical and practical activities are organized for them. "Reserve schools" were established in Uzbek and Latvian SSR ministries of finance and in the Main Computer Center of the USSR Ministry of Finance. In republic courses for improvement in skills the Kirghiz SSR Ministry of Finance organized the training of 25 workers included in the reserve for the posts of chiefs of budget inspectorates—deputy heads of rayon (city) finance departments. On-the-job training of candidates in the posts for which they are included in the reserve, as well as their periodic reports before the management and the party and trade-union aktiv, are practised in the Belorussian SSR.

Certification promotes the selection of the best specialists for the reserve. In 1987 more than 40,000 people underwent certification. According to its results, 3,800

people were included in the personnel reserve and the posts of 100 were raised. Certification commissions considered 107 workers not suitable for the posts held and recertification in 1 year was assigned for 1,600.

Many examples can be cited, when correct and thought-out work with personnel helps to attain high production indicators and to successfully cope with the tasks facing collectives. For example, finance agencies in the city of Minsk (M. V. Aydarova, head of the city finance department) persistently restructure the organization of economic and control work with due regard for the introduction of advanced methods of management based on full cost accounting and self-financing. Here key personnel are reinforced with skilled specialists, who are sympathetic for everything that is new, are full of initiative, and are fully desirous of working with maximum efficiency. The selection of young specialists for work in finance agencies is made directly in the last courses of educational institutions. Students in senior courses are invited to finance agencies to discuss matters connected with future work. Labor veterans and executives of the republic's Ministry of Finance meet with them. Various contests are organized and other activities are held for them. All this helps to retain young people in collectives. A total of 11 out of the 22 young specialists accepted at finance agencies in the last 3 years have been transferred to higher posts. There are hardly any cases of their dismissal from the city's finance agencies after the expiration of 3 years of work. The system for improving the skills of specialists has also been worked out well. All this in combination with the mastering of new forms of economic and control work enables the city's finance agencies to stably ensure the fulfillment of the state revenue and budget plan.

Measures for the development of a unified state system for the continuous education of personnel for the financial system, including the training, retraining, and improvement in skills of specialists and managers, are now being worked out. Tekhnikums, which turned out about 17,000 specialists in 1987, represent the first stage in the continuous education in such a system. Here it is necessary to restructure the instructional and educational process, whose main purpose should become the imparting of practical skills in occupational activity to students and ideological training. It is necessary to develop student self-government and to bring the material base and technical equipment of these educational institutions into conformity with present requirements. The training of finance workers in higher educational institutions is the second stage. The combination of thorough practical training in tekhnikums with theoretical training in higher schools forms the basis for the idea of organization of shortened training in higher educational institutions of individuals with secondary specialized education and experience in practical work. About 900 workers began such training on a part-time basis in 1987. Finally, improvement in the skills of finance workers and retraining represent the third stage in their continuous education. The decree dated 6 February 1988 of the

CPSU Central Committee and the USSR Council of Ministers "On Restructuring the System of Improvement in Skills and Retraining of Managers and Specialists in the National Economy" points out that a constant improvement in skills is the direct official duty of every manager and specialist. Types of education—independent, seminars, and part-time—have also been determined.

In order to organizationally ensure a continuous renewal of knowledge and the coordination of this work, the Intersectorial Institute for Improvement in Skills of Finance and Bank Workers was established. Basically, managers of local finance and bank agencies, as well as of the apparatus of republic ministries and offices of specialized banks, will be trained on a full-time basis in it. During the training period students' expenses will be paid in the first month and a monthly grant of 40 rubles will be paid to those receiving monthly wages of up to 200 rubles during the following period.

Along with positive changes in personnel work there are still many unsolved problems and shortcomings, toward the elimination of which it is necessary to direct the efforts of labor collectives, managers, and public organizations of finance agencies.

First of all, it should be said that democratic principles and glasnost are still introduced into practice timidly. In some subdivisions of the USSR Ministry of Finance and of finance and insurance agencies, instead of a discussion of candidacies for promotion to a managerial post, the worker is formally presented to the collective. Reports by managers at meetings are not heard regularly everywhere and public organizations manifest little initiative in this matter. When production matters are examined in collectives, the state of work with personnel and their education, retraining, and improvement in skills are often ignored and problems concerning the competence of associates are not touched upon.

The restructuring of the style and methods of activity is still slow and has not encompassed all the areas of financial work. Managers and specialists are not fully aware of the need for it. Some managers do not sufficiently direct collectives toward a search for potentials existing in the national economy and intensification of the mechanism's effect on the acceleration of social and economic development. The conducted survey by a questionnaire has shown that the style of work of some managers does not meet present requirements, some of them do not listen to the opinion of their subordinates, do not always offer them the opportunity to manifest a creative initiative, and in their practical work weakly lean on the collective and public organizations.

With due regard for the scope and complexity of the tasks set for the financial system and the need to strengthen finance agencies with highly skilled specialists the list of posts subject to filling by specialists with

higher and secondary specialized education in the system of the USSR Ministry of Finance has been revised. As a result, the number of posts subjected to filling by specialists with higher education has been increased from 42 to 60 percent.

An analysis of the qualitative composition of personnel shows that many finance agencies must work thoroughly in order to improve it. The proportion of specialists in finance agencies of the Estonian, Uzbek, and Lithuanian SSR decreased last year. The composition of personnel improves slowly in some autonomous republics and oblasts of the RSFSR, such as the Tuva and Tatar ASSR and Chita, Ulyanovsk, and Astrakhan oblasts. A number of krais and oblasts in the Russian Federation experience an especially acute need for workers with higher education. In the finance agencies of Ivanovo, Kalinin, Kostroma, Ryazan, and Kirov oblasts and of the Tuva ASSR such specialists comprise from 20 to 25 percent and in Kurgan Oblast, even less—16.6 percent.

Today many finance bodies do not yet have the necessary composition of highly skilled specialists capable of a profound economic analysis and possessing a modern economic thinking and a spirit of innovation. Furthermore, the personnel turnover increased last year, comprising 5.5 percent in finance agencies. Of the total number of dismissed people apparatuses of rayon (city) finance departments account for 80 percent. Trained workers should be hired instead of those that have left. However, individual managers manifest a lack of principles and exacting demands, as a result of which many incompetent workers without specialized education and experience in finance work enter economic control work (finance departments of the Turkmen SSR, the Latvian SSR, Krasnoyarsk Kray, and so forth).

Nor have negative phenomena in work with managerial personnel been eliminated. A significant number of finance agencies do not have an orderly system for the growth of personnel making it possible to uncover good organizers and talented and intelligent workers with prospects for a service promotion. The political, occupational, and moral qualities of candidates for managerial posts, their abilities, and the collectives' opinion of them often are not studied profoundly. As a consequence, as well as owing to the lack of proper demand and control, there are cases of abuse, breach of discipline, and improper behavior on the part of some managers. Last year disciplinary proceedings were instituted against 110 managers, of whom 43 were dismissed. Appearance at work in a state of intoxication, violation of the principles of selection and disposition of personnel, protectionism, unwillingness to reorganize oneself, loss of prestige in the collective, and so forth were among the reasons for the dismissal from work.

About 14,500 young specialists work in finance and insurance agencies. In order that they may more rapidly master the areas entrusted to them, practical training and tutorship are being organized. As a rule, work with

young people gives good results. At the same time, formalism in practical training and in the tutorship movement has not been eliminated here and there and the role of councils of tutors and councils of young specialists in educational work with young people and in the organization of their leisure and mass cultural and sports activities is not big. A significant number of young specialists reside in private apartments.

Special attention should be paid to the state of ideological and political-educational work in collectives. It should be aimed at changing the psychology and thinking of associates in the spirit of restructuring carried out in the country, raising the occupational skills, competence, and personal responsibility of every finance worker, and strengthening labor and performance discipline.

Ideological and educational work should be carried out with due regard for strengthening the role of labor collectives. They are called upon to have their weighty word under conditions of glasnost and democratization. Every case of an incorrect behavior of specialists of any rank should be openly discussed in the labor collective.

In personnel policy as a whole principal attention should be paid to the development and approval of new approaches to the selection, disposition, training, and improvement in the skills of workers, activation of the human factor, renewal of managerial personnel, and strengthening of the discipline and responsibility of workers at finance agencies. Work with personnel should be carried out in a close coordination with the implementation of the set of measures aimed at successfully realizing the radical restructuring of the financial mechanism and improvement in all the aspects of activity of the system of the USSR Ministry of Finance.

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INVESTMENT, PRICES, BUDGET, FINANCE

Eleven More New Banks Registered With USSR Gosbank

18200129 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 50, Dec 88 p 10

[Unattributed item: "USSR State Bank Reports"]

[Text] The USSR State Bank's charter stipulates that Gosbank USSR is to register the charters of commercial, joint stock and cooperative banks and of other financial institutions. Registration of a charter with Gosbank USSR indicates permission to open a bank.

EKONOMICHESKAYA GAZETA No 43 for 1988 carried a list of the first 12 new banks. Along with those credit institutions indicated in the previous publication, the following banks have been registered with USSR Gosbank:

- Cooperative-Commercial Bank "K.A.S.I.O." in Riga
- Cooperative Bank "Saniya" in Karachayevsk, Karachayevo-Cherkessk Autonomous Oblast
- Cooperative Bank "Dvina" in Vitebsk
- Cooperative Bank "Azeri" in Baku
- Joint-Stock Commercial Bank for Intersector Integration "AMBI" in Moscow
- "Stroykredit" Bank in Moscow
- "Assbank" in Groznyy, Chechen-Ingush ASSR
- Cooperative "Eastern Bank" in Baku
- Maritime Territorial Cooperative Bank in Vladivostok
- Commercial "Inkombank-Interznaniye" in Moscow
- Industrial Commercial AvtoVAZbank in Tolyatti

Relation of Monetary Income Balance to Trade, Banking Examined

18200122 Moscow *DENGI I KREDIT* in Russian No 9, Sep 88 pp 9-15

[Article by N.S.Margolin: "Consumer Monetary Income and Expenditure Account" under the "Help in Economic Education" rubric]

[Text] The equilibrium between consumer money income and expenditures is a necessary precondition for a steady, balanced development of socialist economy. It is achieved when the share of consumers' money income available to purchase goods and services (i.e., excluding taxes, dues paid to social organizations and other voluntary or obligatory payments, as well as savings) is equal to the sum total of the prices of goods and paid services offered to consumers. To achieve such parity, balances of consumer money income and expenditures are computed in the USSR economic and social development plan.

Of course, the parity of the sum total of the prices of goods and services offered to consumers and consumers' disposable income is not in itself sufficient to ensure free exchange of income for goods. For this, it is necessary to distribute consumer goods correctly over the territory of the country and to achieve a structural fit between goods and consumer demand. Since the money income and expenditures balance determines consumers' consumption funds, it is used to plan retail sales for the USSR as a whole and for various geographical regions.

The monetary income and expenditures balance is a tool used in money circulation planning, the goal of which is to maintain the steady purchasing power of money.

Money is an intermediary between income formation and realization. For money to perform this function consistently, a supply of given quantities of desirable goods and paid services must always correspond to consumers' monetary income. If this condition is violated, the circulation of money artificially slows and consumers wind up with excess holdings of money. At a certain point, this leads to distortions of the market, reduction in the purchasing power of money and non-planned distribution of goods. To implement consistently the fundamental socialist principle of allocating consumption funds to each according to his labor, not only pay scales must be correct but workers must be allowed to realize their income to satisfy their needs according to their own choice. The CPSU Central Committee's political report to the 27th Party Congress states that "all efforts to improve distribution will be of little effect and the goal of improving the welfare of the people will become unattainable if we are unable to saturate the market with various goods and services."¹

If disposable income exceeds supply of consumer goods or the choice of available goods does not correspond to consumer demand, and if as a result difficulties in purchasing goods arise, this weakens the material incentive for employees to increase their income and, consequently, to raise productivity or enhance their skills. All this is a drag on economic growth. Excess supply of consumer goods—or, which is more probable, of certain types of consumer goods—relative to demand expressed as disposable personal income would make it impossible to sell a portion of output, which is equivalent to loss of social labor and would inhibit further production of such goods. To an extent, the equilibrium can be restored by adjusting retail prices, either raising or lowering them. This method of restoring equilibrium between supply and demand has been used at various stages of USSR history, especially with respect of certain types of goods. It is not excluded in the future, especially taking into account the urgent need to end state subsidies to agricultural food products. However, this method has limits set by the true cost of goods, i.e., the expenditure of social labor for their production, as well as by social factors stemming from the goal of raising real income of the population. Consequently, the main conditions for achieving the equilibrium are set by production: the level and mix of goods produced, the distribution of national income, income formation and the structure of income realization. These conditions must be met by plans for social and economic development of the country.

The crucial importance of the balance of monetary income and expenditures for economic development was pointed out in the July 17, 1987, resolution of the CPSU Central Committee and the USSR Council of Ministers "On Reorganization of Planning and on Enhancing the Role of the USSR Gosplan in a New Economic Environment."² The resolution also called on the USSR Gosplan, USSR Ministry of Finance, USSR banks and councils of ministers of union republics to increase

planning and regulation of consumer money income growth and to coordinate it with trends in the growth of goods and services production capacities.

From the start, annual and 5-year economic development plans of the USSR contained a section on the money income and expenditures balance. Such balances are computed in all socialist countries as part of their economic plans.

At different stages of Soviet economic development the money income and expenditures balance helped solve both general and period-specific problems. This influenced the methodology of computing the balance. Changes occurred in the way different types of income are earned and in the structure of expenditures. Other changes in the balance's methodology were due to better economic planning and statistics, in particular to changes in plan targets and in data gathering. As a result of all this the formula for computing the balance was modified, with changes affecting especially classifications by social group and by type of income and expenditure.

Originally, the balance of monetary income and expenditures was devised as part of the "Target Figures for the Economy" for the 1926-27 fiscal year.³ Actual data for the three previous years were used as base figures. For the first 5-year plan the balance was calculated using a better formula than in the preceding years.⁴ The list of income and expenditure categories was broadened and made more specific; a new category of savings was introduced.

In the early 1930s, the categories of income and expenditures in the formula were first divided into two groups. The first one, Group A, includes income earned in the socialist sector of the economy—at state-owned, cooperative and public enterprises, organizations and offices—as well as expenditures in which money accrues to the socialist sector.

The second group, Group B, is comprised of income earned and expenditures incurred in market transactions between population groups—such as nonagricultural and agricultural workers—related to the sale and purchase of agricultural products or home-made goods and various services.

This was a fundamental change. The importance of this new method of computing the balance, which is still in use, is the following:

First, income and expenditures belonging to the first group are set by the economic plan and tracked in government statistics. In the case of the second group, the government, taking into account the needs of the economy, impacts the formation of income and expenditures only by indirect means. They are calculated approximately, based on selected studies.

Second, the planning of income and expenditures which make up monetary transactions between consumers and the socialist economy is important in establishing the total value of consumption funds used to buy goods in the state and cooperative sectors. Clearly, in transactions between groups of population, as in kolkhoz trade, the total sum expended by one group equals, for the country overall, to the total sum accrued to the other group. If blue-collar and office workers spend part of their income at the kolkhoz market, their purchases in the state and cooperative sector are reduced. But, all other things being equal, the income of collective farmers and their demand for state and cooperative goods will increase accordingly, by an identical sum.

Consequently, monetary transactions between groups of population do not impact the overall share of the consumption fund spent in the state or cooperative sector and the balance of income and expenditures for the population as a whole. Yet, those transactions influence the distribution of consumption funds among population groups and, therefore, the demand mix. Naturally, this must be taken into account when retail sales are set.

So, the monetary income and expenditures account for the population as a whole, without considering transactions between population groups, establishes the total sum of its monetary income and expenditures. This account is presented by planning bodies to the government for consideration; starting in 1986, it must be approved as part of the plan of the country's economic and social development.

As to the breakdown by population groups, it is used to plan the retail sales mix, calculate the real income of the population and determine the total value of monetary transactions, which is important to analyze money circulation.

The planned monetary income and expenditures account sets the value of transactions between consumers on the one hand and enterprises, organizations and agencies on the other; it thus serves as a basis for preparing cash receipt plans.

Transactions between consumers and public enterprises and organizations began to be calculated separately when the State Bank's cash receipt plans were first developed, i.e., in 1930. This is explained by the connection between this section of the account and the cash receipt plan. As is well-known, this plan establishes the State Bank's inflows and outflows of cash. Thanks to the above-mentioned connection, data on the fulfillment of cash receipt plans—i.e., on the actual cash income and expenditures taken together or divided by type—is widely used to prepare end-of-period consumer monetary income and expenditures accounts, in many ways supplementing other sources of statistical information. As the cash plan was perfected, it greatly helped improve the methodology and increase accuracy of the income and expenditures balance.

Data on the bank's cash receipts from retail trade is another source (in addition to data on retail sales) used to prepare the part of the current monetary income and expenditures account that treats consumer expenditures.

Based on the bank's data on cash outflows and inflows, it is possible to compute the net change in consumers' money holdings in a given year for the USSR as a whole. If during a certain period outflows surpassed inflows, it means that residual money holdings of consumers rose by a corresponding sum—or close to it. If inflows were higher than outflows, it means that money holdings were on balance reduced.

To understand the balance's methodology, it is important to keep in mind that it reflects all the money the population receives, including some categories that are not income from the political or economic point of view. These receipts reflect, in part, a) replacement funds for means of production used to make goods on private property or in the course of individual labor activity; b) receipts from the sale of property such as homes, cars, consumer goods, clothing and shoes through state-run second-hand stores which charge a commission to the seller, or to other individuals directly; c) payments by state insurance companies for lost property or repayment of accumulated premiums as part of individual life insurance policies; d) loans from banks or state pawn shops; and e) winnings in lotteries where the prize is a share of ticket sale proceeds.

To include all types of receipts in the account is legitimate and is necessary to reconcile income with retail sales (which include the sales of industrial goods to the population and second-hand store sales) and to identify the routes of money movements—both between consumers and the socialist economy and among individuals.

At the same time, this feature of the balance's computation formula should be kept in mind when the balance is compared to general indicators such as national income and consumption funds, as well as when real personal income is calculated.

The value of personal property and proceeds from its partial resale, as well as sums received from state insurance policies, increase faster than personal income. As a result, consumers' monetary receipts grow at a somewhat faster rate than income. This must be taken into account whenever the above-mentioned comparisons are made.

One of the issues in preparing the monetary income and expenditures balance is our ability to distinguish between expenditures on goods and those on services.

Starting in 1950, consumer services provided by industry—the production and repair of clothing, shoes and haberdashery and metal goods, dry cleaning and dyeing, etc.—have been included with retail goods sales. They now appear in the account as expenditures on goods, not

on services as before. At the same time, these services remain in accounts and plans as consumer services, which means they are counted twice. Thus, when expenditures on services are calculated, the above-mentioned services should be subtracted from the final count.

The reason some consumer services were included with retail goods sales is that such services are part of goods production. Yet, the change was not fully consistent. For instance, water, electricity and gas supplied by utilities are also part of goods production, but their sale to consumers is generally not included with retail goods sales; it is classified under municipal services. Individual repair, construction and other work performed for consumers is counted as services because such work is performed for consumers individually and differs in character from goods transactions.

The General Program of the Development of Consumer Goods Production and the Service Sector for the Years 1986-2000, as well as state plans for USSR economic and social development starting in 1986, set targets for all paid services for consumers, including the above-mentioned individual services. Keeping this fact in mind, we should once again raise the question whether or not to reclassify the above-mentioned activities as paid services, not goods sales to consumers.

The overall services approved as part of the plan include not only those paid for by consumers but also services to organizations—repairs, laundry, etc.—as well as subsidies by trade unions, enterprises and organizations for vacation trips to sanatoriums, resorts and sports camps. To reconcile these in the monetary income and expenditures account, it is necessary to add a line in the paid services plan that reads: "of which services paid for by consumers."

The methodology of preparing the territorial breakdown of the monetary income and expenditures balance has also improved. Before World War II, many state planning entities in union republics prepared their own balances along with the USSR Gosplan which prepared the balance for the country as a whole. After the war, a great need arose for a regional breakdown in expenditures and consumer funds following the 1947 monetary reform. Under the new conditions when rationing was lifted, the value of consumer funds became the basis for retail sales planning. In 1948, the USSR Ministry of Retail Trade organized data collection for the geographical breakdown of consumer funds, eliciting the help of retail trade ministries of union and autonomous republics and retail trade departments of krais and oblasts. This data, which helped improve the accuracy of the geographic distribution of the retail sales plan in the country, was not, thanks to narrow bureaucratism, used to impact all the aspects of regional economies that determine the equilibrium of consumer incomes and expenditures.

The situation changed in the late 1950s, when the input of republic and local soviet authorities into economic management was increased. They were put in charge of providing conditions for balancing consumer income and expenditures. Starting in 1959, the USSR Gosplan together with councils of ministers of union republics, USSR Ministry of Finance and USSR State Bank has been preparing annual income and expenditure balances for each union republic and to present them for approval to the USSR Council of Ministers. Councils of ministers of union and autonomous republics, krayispolkoms and oblispolkoms were directed to review these balances periodically and ensure equilibrium between income and expenditures, retail sales plans and commodity funds.

In 1960, the USSR Gosplan, USSR Central Statistical Administration, USSR Ministry of Finance and USSR State Bank published first standardized methodological guidelines for computing current and planned consumer monetary income and expenditure balances.

While preserving the main principles of computing the balance developed by the USSR Gosplan and USSR Central Statistical Administration, those guidelines contained calculation methods for different categories—including wages—for individual republics, krais and oblasts. They also established principles for reflecting money movements among republics and oblasts in the planned balances. The plan had to include economic measures to limit unjustified money movements.

The volume of money movements can be gauged based on indirect indicators and accounts. Several acceptable methods of such accounting are described in more detail in a number of books and articles.⁵

In the 1960s, when the industry principle of industry and construction management was reestablished, the responsibility of republican and local entities for balancing consumer income and expenditures was by no means reduced, but their activities assumed a somewhat different form. Union and republic ministries and organizations were required to supply union republics' gosplans with data on the wage funds of enterprises and organizations located on the territory of those republics, grouping them according to kray and oblast. The importance of union republics and local soviet entities in balancing monetary income and expenditures was raised in 1979. Councils of ministers of union and autonomous republics and ispolkoms of kray, oblast and city soviets of the people's deputies were made responsible for approving overall plans for consumer goods production and for monitoring their fulfillment.

Changes in the methodology and practice of preparing the monetary income and expenditures account were reflected in methodological guidelines reissued in 1971 and 1982. In accordance with those guidelines, the account now correctly reflects such new economic transactions between the state and consumers as sale on credit

and sale by consumer cooperatives of agricultural products bought at contract prices. New subcategories have been introduced: under consumer income, repayment of government borrowings earlier collected by [compulsory] subscription and under expenditures, contributions to housing construction cooperatives. Income of blue-collar and office workers earned at enterprises and organizations but derived from sources other than the wage funds is now a separate category. The 1982 guidelines require union republics to calculate separate balances for different social groups: for blue-collar and office workers and for collective farmers.

The radical restructuring of economic management currently underway calls for a greater role of money in the economy. The most important precondition for this is the ability to consistently satisfy consumer demand by means of increased consumer goods and services production. The attention of republic and local entities is focused on this.

Steps have been taken to increase the role and responsibility of soviets of the people's deputies for accelerated socio-economic development. Councils of ministers of union and autonomous republics and ispolkoms of local soviets have been made responsible for ensuring steady growth of high-quality consumer goods production and accelerated development of the consumer services sector and for balancing goods and services production with consumers' money income.

The role of republic and local entities in the task of balancing consumers' money income and expenditures, thereby strengthening money circulation, was spelled out in more detail in the July 17, 1987, resolution of the CPSU Central Committee and USSR Council of Ministers "On Improving the Country's Banking System and Strengthening the Banks' Contribution to Increasing Economic Efficiency."⁶ Councils of ministers of union and autonomous republics and ispolkoms of local soviets were directed to pay more attention to the task of accelerating money circulation and ensuring unconditional equilibrium between consumers' monetary income and expenditures. To achieve this, monetary income and expenditures balances must be approved as part of state plans for economic and social development of union republics.

The greater role of these balances in the task of achieving correct proportions in the economy and accelerating improvement in the living standard requires further improvements in their calculation methods. It is especially important given the changes in economic management of the country.

The largest portion of consumers' money income is comprised of wages of blue-collar and office workers. For 50 years wage funds were set by state 5-year plans of economic and social development, grouped by ministries, departments and union republics; they were fed down the line to enterprises, organizations and agencies.

Starting in 1985 in some industries, and in 1988 in all goods producing industries and in a number of non-goods producing ones, state plans of economic and social development instead of setting wage funds as a lump sum began providing normative balances for wage funds relative to net production and other indicators. In the future, such normatives will be set for entire 5-year periods and, along with target production figures, provided to enterprises who will develop their own plans. The above-mentioned normatives, along with production targets, are base figures for the wage fund of the entire economy to be calculated.

Since enterprises will prepare their own growth plans—including those on overall production costs—taking into account their target figures, the sums set by enterprises for their wage funds may not jibe with the planned level for the economy as a whole. It should also be remembered that according to the USSR law on state enterprises or complexes, wage funds may also be established by enterprises as a residual of their economic profits minus appropriate contributions to industrial growth, research and development, social development and other funds. (According to the second self-financing model.) To increase the accuracy of the monetary income balance, it would be useful to supplement standard calculations with a forecast based on analysis of long-term trends in wage funds creation and taking into account overall economic indicators. This is relevant with respect to other consumer income categories, as well.

With the growth of cooperatives and individual labor activity in goods production and services, it seems useful to supplement income and expenditures categories in the account with the following:

- money income earned at nonagricultural cooperatives. This category should include wage funds set up for cooperatives' employees, rather than the cooperatives' overall profits;
- income from sale to state and cooperative entities of output produced as part of individual labor activity (to be included in group A);
- and income from sale of goods and services to consumers by individuals engaged in individual labor activity (to be included in group B).

To maintain the principle of computing the balance, income from individual labor activity should be split into two parts: income from state and cooperative entities and income from consumers. One share of output is accepted by state stores from individual producers on a commission basis and another is bought for cash based on contracted prices. It would be useful to enter both types of transactions as a lump sum, since their economic meaning is identical: i.e., sale though state or cooperative retailers.

Another subcategory should be for goods purchased from cooperative producers. The subcategory, which is part of expenditures in Group A, should include purchases directly from cooperatives. Goods produced by cooperatives and sold to consumers through state stores or consumer cooperative stores should be entered as purchases from state and cooperative retailers. Goods purchased by cooperatives for production and other needs at state or cooperative retail outlets, as well as from kolkhozes and at kolkhoz markets, should not be entered as consumer expenditures; these transactions should be subtracted from retail sales when the balance is calculated, just as it is done with low-volume wholesale transactions.

When tabulating expenditures on services in Group A, services supplied by cooperatives should also be included.

Yet another subcategory should be expenditures on goods or services bought from individuals engaged in individual labor activity (to be entered in Group B). This subcategory corresponds to an income subcategory in Group B, income from sale of goods and services as part of individual labor activity.

It appears useful to consider also the following methodological issues:

1. According to existing methodological guidelines for computing the balance, the income from wages category includes reserves for possible increases in wage funds. Yet, deviations from plan can occur not only in wages but in other income categories, especially in income earned at kolkhozes and from sale of agricultural products. According to data published by R. A. Lokshin⁷ for 1966-87, planned money income targets were surpassed in 19 out of the 22 years, with the average surplus for all 22 years amounting to 0.9 percent.

Keeping in mind that equilibrium in money income and expenditures, as elsewhere in the economy, is achieved by sufficient reserves, it would be useful to add a line to the planned account stating total reserves.

2. Currently, the money income and expenditures account consists of two sections: a) income and b) expenditures and savings, with savings defined as the increase in savings account balances and purchases of savings bonds. The difference between the two sums shows the net change in cash holdings for the USSR as a whole.

To include both expenditures and savings in the same section does not seem appropriate. Savings are an unspent portion of income and a resource for future consumption.

The practice of tabulating savings on the expenditures side of the account arose at a time when the dominant form of savings was purchases of state obligations placed

on a subscription basis, while savings banks were not widely used. Disposable consumer income was in the form of leftover cash holdings. This is why the analysis was focused on such holdings, whereas savings bank balances were viewed as abstract funds and were entered under expenditures.

Now the situation has changed. Bank balances have become the main form of consumers' monetary resources. Even though such balances and residual cash holdings are different from the economic point of view, they perform a partly similar function.

As the payment of wages to blue-collar and office workers and of earnings to collective farmers through the Savings Bank system becomes widespread, leftover funds on the account act in part as a current consumption fund. The practice of paying for purchases with Savings Bank checks is catching on among consumers. As needed goods are temporarily unavailable in stores, consumers keep the money earmarked for them either in cash and in savings accounts. All this indicates that while analyzing the velocity of money and movements of disposable income it is important to take into account all types of financial resources of the population, be it cash, bank accounts, life insurance policies or something else; and each resource type should be computed separately. For this reason, the account should include a third section, called Net Change in Consumers' Financial Resources, keeping tab of the above-mentioned resource types.

3. According to the existing methodology, Group B, on both income and expenditures sides, consists of financial transactions between consumer groups. However, transactions between consumers belonging to the same group are ignored; they include income of city dwellers earned from the sale of goods or services to other city dwellers, or that of some collective farmers earned from the sale of agricultural foodstuffs to other collective farmers. The true size of consumers' financial turnover is therefore underestimated and a certain distortion of the structure of the monetary income and expenditures balance occurs. The end-of-period and planning account should include both intra-rural and intra-urban transactions.

4. Planning and data collection entities of the USSR and union republics calculate income and expenditures balances for two population groups: a) blue-collar and office workers and b) collective farmers. These balances are used as a component to compute real income of these two groups and to analyze money circulation. In addition, they should compute end-of-period balances for the urban and rural population.

On average for the USSR, income levels of the rural population are nearing those of the urban population. But, as to opportunities for realizing their income to purchase goods and services, rural consumers still find themselves in a less favorable position. In 1986, per capita retail sales for the rural population were only 45

percent of those for the urban population.⁸ This is why rural dwellers make a large share of their purchases in the cities, which causes time losses and inconvenience. From the point of view of money circulation, this results in a slower turnover on the countryside. The need for the rural population to buy goods in the city may be justified economically only in the case of certain types of goods, those that should be distributed only through large or specialized outlets.

Currently, monetary income and expenditures balances for city and rural populations are computed by statistical entities for the USSR as a whole and for union republics. Statistical entities must also compute such balances for kray and oblasts. This would provide important data to party and soviet bodies to help them solve problems of socio-economic development.

Another methodological issue in computing the monetary income and expenditure balance is its ability to reflect changes in consumers' residual cash holdings.

If demand is consistently satisfied, residual cash holdings should rise commensurate with the growth of goods and services sales, corrected for objectively determined changes in money velocity and increases in the share of noncash payments for goods and services. In reality, however, we have witnessed a trend whereby for a considerable period of time supply of goods and services has been lagging behind demand growth and as a result residual cash holdings have increased disproportionately. Between 1971 and 1985, money supply rose 3.1 times while consumer goods production 2 times. Due to this unfavorable trend, planned monetary income and expenditures balances did not envision fluctuations in residual cash holdings, aiming instead at stabilizing them. This principle was laid down in the guidelines for computing these balances. It is justified in practice. Planned stabilization of residual cash holdings in the balances by setting appropriate targets for consumer income growth, retail sales and services production was needed to curb further growth of massive monetary holdings. This goal, however, has not been achieved, since plans for consumer goods production and retail sales have not been fulfilled.

As has been noted, one of the preconditions for our country's social and economic development is strengthening monetary turnover and bringing the mass of money currently in circulation into line with the objective need. To do this, near-term monetary income and expenditures plans must provide for a gradual reduction of money supply. The resolution of this complex economic task is related to the necessary changes in the structure of production and distribution of national product and national income; it requires strict wage controls relative to productivity growth and increased supply of consumer goods and services. Improved credit-creating activity of banks in this area is of considerable importance.

The income and expenditures plan is prepared by planning entities while the end-of-period income and expenditures report by data collecting entities. An important role in this area is played by the banks, especially by the USSR State Bank. This stems from the measure's importance in ensuring equilibrium in money supply. Based on the analysis of the state of money supply in the period immediately preceding the planned period, the USSR State Bank and its republic and oblast affiliates set requirements for the planned balance, for the desired levels of income and expenditures. As the balance is being prepared, the State Bank together with special-purpose banks should assess whether or not targets for monetary income and expenditures and for goods and services production are expedient and attainable and offer their suggestions and advice to planning entities.

The State Bank, together with the Savings Bank, should develop and present to planning entities their projections on savings balances growth and on use of consumer credit. In forecasting savings balances growth the bank should rely on the analysis of consumer saving patterns in relation to income growth, without forgetting, however, that such patterns in previous years were influenced by consumers' inability to fully satisfy their demand for goods and services.

The State Bank should supply planning entities with all the data on inter-territorial money movements that is necessary to compute the balance.

In order to make their input in the computation of the balance more effective, the banks must engage in a profound study of economic processes that determine the conditions of currency circulation.

Footnotes

1. "Papers of the 27th CPSU Congress" Moscow, Politizdat, 1986, p. 47.
2. "On Radical Restructuring of Economic Management: A Collection of Documents" Moscow, Politizdat, 1987, p. 55.
3. See "Control Figures for the USSR Economy for 1926-27" Moscow, Planovoye Khozyaystvo, 1927, pp. 130-133.
4. See "The 5-Year Plan for USSR Economic Building" Vol. 2, Part 2. Moscow, Planovoye Khozyaystvo, 1929, pp. 72-75.
5. See Berkov N.T. "Money Movements and Methods for Analyzing It" Moscow, Finansy, 1966; DENG I KREDIT, No 2, 1974, p. 33.
6. See "On Radical Restructuring of Economic Management" Moscow, Politizdat, 1987, p. 165.
7. PLANOVOYE KHOZYAYSTVO, No.2, 1988, p. 39.

8. Calculated from the anniversary year statistical annual "Seventy Years of USSR Economy" Moscow, Finansy i Statistika, 1987, p. 460.

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INDUSTRIAL DEVELOPMENT, PERFORMANCE

Gossnab Official Interviewed on Limited Success With Contracts

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[Interview with B. M. Yakovlev, deputy chairman of the USSR Gossnab, by O. Yefimov of the *PLANOVOYE KHOZYAYSTVO* editorial staff: "The Economic Contract: The Basis for Organizing the Work of Enterprises and Associations"; first paragraph is editorial introduction]

[Text] In implementing the 1988 plan, enterprises and associations are carrying out a considerable amount of organizational work on the plan for 1989 at the same time. The conclusion of economic contracts for the production and delivery of products is an extremely important stage in it. It has entailed many difficulties, requiring substantial efforts by central economic organs, ministries and departments. The journal's editorial staff has asked B. M. Yakovlev, deputy chairman of the USSR Gossnab, to tell us how contract arrangements have been proceeding.

[Yefimov] This year, in September, when work to conclude contracts was in full swing, problems which could not be considered unavoidable were detected. In conjunction with this, it would be good to clarify certain characteristics of this year's contract campaign.

[Yakovlev] Yes, problems did exist. To a certain degree they were caused by the large amount of work in concluding contracts. Take just the quantitative side. This year the significance of contracts grew appreciably, inasmuch as the specific share of state orders in planned production was curtailed.

State orders are being issued only for 316 of the most important types of products today. A small proportion of resources in short supply which were not included in the state order, 228 types in all, will be distributed by the USSR Gosplan and USSR Gossnab in the coming 2 years in the amounts that have been approved by the enterprises themselves on the basis of scheduled figures and which they have included in the production plans. Thus, all the remaining output, consisting of more than 5,000 group descriptions, is being transferred to supply through wholesale trade. This means that the economic contract becomes the only principal document linking the supplier and the buyer of a product, as well as the

basis for organizing the production plan. Hence it is understandable why the USSR Gossnab has been devoting a considerable amount of attention to this work.

I would like to mention that enterprises have approached this in different ways. While some have entered into active negotiations with their partners to work out contract conditions, others have been biding their time, waiting for some special instructions, and some have been seeking to make their lives easier in general. As a result, while up to 90 percent of the contracts were begun (or extended) by 1 September by enterprises of the USSR Ministry of the Petroleum Refining and Petrochemical Industry, the USSR Ministry of Light Industry, and the USSR Ministry of Nonferrous Metallurgy, about half were entered into (or extended) by enterprises of the USSR Ministry of Construction, Road, and Municipal Machine Building, 51.8 percent by the USSR Ministry of Chemical and Petroleum Machine Building and 55.2 percent by the USSR Ministry of Heavy and Transport Machine Building.

A number of enterprises have not demonstrated the proper concern for ways to better meet the requirements of the national economy, and they have begun breaking long-term economic ties without taking into account what the results will be for one production facility or another or for a sector or the national economy as a whole. Enterprises of the USSR Ministry of Construction, Road, and Municipal Machine Building alone have refused 34.3 percent of the requests to extend contracts; the USSR Ministry of Chemical and Petroleum Machine Building rejected 36.3 percent and the USSR Ministry of the Electrical Equipment Industry rejected 47.3 percent of such requests. At the same time, certain labor collectives have been accepting plans that are much lower than the 1987 and 1988 levels. The Vitebsk Tool Grinder Plant is reducing the output of general-purpose grinders from 3,370 units in 1988 to 2,628 in 1989. The "Sibtyazhmash" [Siberian Heavy Machinery] Plant is planning to cut back the production of cylindrical reduction gears from 880 to 380 units, and the Arkhangelsk Paper and Pulp Combine is reducing the output of label paper by one-third as much.

In order to counter this unsound practice, some customer enterprises have turned to the Gosarbitrazh [State Board of Arbitration]. The Rybnitsa Pump Plant avoided extension of the contract with the Karelnabsbyt [presumably: Karelian Supply and Sales Organization], with which there had been economic ties for a long period of time, to deliver 236 pumps. The plant said that contracts had been concluded for the entire production program. Nevertheless, at a meeting of the Gosarbitrazh, the supplier agreed to extend contract ties to 1989. This same plant has been delaying the conclusion of a contract with the Mosgorsnabsbyt [Moscow City Supply and Sales Organization], with which there have been long-term ties, for the delivery of 207 pumps in 1989. The Moldavian SSR Gosarbitrazh obliged the supplier to extend the contract relationships. There are many such cases.

[Yefimov] What usually motivates enterprises to reject a contract for one product or another?

[Yakovlev] As a rule, they refer to the state order—a product is not in the structure of the state order for 1989—or to a lack of raw material, materials, or component parts, or to the fact that output of some product is being discontinued, and so forth. However, a more thorough analysis indicates these are not the true reasons. Rejections are made primarily because the output of items ordered is not sufficiently profitable or unprofitable for the supplier. As an example, the Oknitsa Experimental Production Equipment Plant of the USSR Ministry of Tractor and Agricultural Machine Building refused to deliver 234,000 door hinges. One reference was made: the production of these hinges lowers the indicators of cost accounting activity. But if the output of unprofitable products is discontinued, the demand for them will not decrease. The objective is different, in our view—make unprofitable products profitable, and without raising prices. But this requires painstaking work, and production must be reequipped and additional resources found. Obviously, in a number of cases it is expedient to involve the customer in a joint solution of such problems.

If an enterprise still withdraws some item for which there is a demand, it has the responsibility to offer a similar one in its place, but one that is more advanced and efficient. As a last resort, the question of compensating an enterprise for losses must be considered if a certain type of product is planned to be produced at a loss. Both the ministries and central economic departments have to be involved in this work. In short, united efforts are required, but the national economy's needs should prevail over those of groups.

A number of enterprises refuse to conclude contracts under the pretext that they have already formulated their plans. However, such plans are often substantially lower than their capabilities, and enterprises have the opportunity to acquire additional profit through above-plan output by taking advantage of contract prices. Financial interests often are put ahead of public interests, as we see.

We are also on our guard with respect to the following cases. By taking advantage of increased demand for their product, individual enterprises make contracts with a customer conditional on a kind of extortion—they demand participation in the construction of some building or the provision of services which have no relationship to direct action by the customer. We must struggle against this resolutely; this is nothing more than ordinary blackmail. We can agree with the practice when a customer enterprise takes part in some way in organizing the supplier's production of a product he needs or transfers some part of his above-plan output to him. But above-plan output! Production relationships are developed on the basis of mutual interest in such cases. But this is the reply that the Berdsk Radio Plant received

from one of its contractors in Novgorod to the offer to begin a contract: "A contract between enterprises will be carried out by direct ties. Your specification for delivery...for 1989 will be accepted under condition that the customer provides the full amount of material resources in accordance with the norms established, as well as under condition that the following materials are delivered: 2 railway cars of cement, 500 square meters of facing tile, 60 tons of heavy steel, and 25 tons of pipe. Deputy Manager M. Tishkov."

The question naturally arises: how do we assess this case from the viewpoint of the Law on the Enterprise? The person who wrote the reply was so certain that he would not be punished for his conduct that he does not even think about the lawfulness of such actions. This is just one of the cases which attest to the fact that a new layer of a shadow economy is taking shape; the consequences of this even defy calculation on the scale of the national economy. "We need order, responsibility and initiative just as we need air," M. S. Gorbachev stressed in an address to a meeting of managers in the mass media, ideological institutions and creative unions in September 1988. Economic managers have a responsibility to remember this and to provide for real order and discipline, without which a planned economy cannot be developed.

We have also come across the practice of refusing to enter into a contract with enterprises located in remote regions of the country, chiefly in the Far North. Thus, while the overall level of contracts concluded by territorial organs of the USSR Gosplan for direct, unlimited orders was 76.7 percent as of 15 September 1988, the levels were 51 percent, 56 percent, and 64.2 percent for the Magadan, Kamchatka, and Yakutsk Supply Main Administrations, respectively. To a certain extent we can understand the suppliers: products take a long time to get there, especially careful packing and additional finishing work are required, taking into account the extreme conditions, and expenses are increased for that reason. But understanding a given situation does not mean to excuse it. The task of economic development of new regions, including those in the North, is a task for the state as a whole, and the urgent need to carry this out increases each year. And instead of speeding up the implementation of this task, which requires additional efforts, they are trying to find all kinds of reasons to avoid it.

In summarizing what has been said, it needs to be pointed out: many of the reasons traditionally named by enterprises for refusing to enter into a contract really exist, of course. But more often this is only a screen for one's faults. The main reason is that in the present very complex and rapidly changing economic situation many economic managers have lost their points of reference with respect to the requirements of the national economy and the people, they assume that they can be disregarded, and they are displaying the negative tendencies which were condemned by M. S. Gorbachev in his Krasnoyarsk address as collective selfishness.

[Yefimov] Let us assume that a subjective factor such as the consciousness of individual economic employees does not meet the requirements of the reform yet, but there are objective conditions which should influence their position. Specifically, cost accounting means that the welfare of an enterprise collective—its wages, incentive and development funds, the sum total of conditions for the collective's social development and production improvement—depend first of all on the growth of production. What are the managers and labor collective councils counting on by rejecting orders from enterprises, by not fully utilizing production capacities, that is, by not taking advantage of the potentialities of their enterprise or association?

[Yakovlev] A principled discussion was held on this at the meeting of the USSR Council of Ministers to discuss the drafts of the plan and the state budget for 1989. What is taking place is intolerable not only for the production ties of specific producers, but for the entire system of socialist economic operation, which is subordinate to the interests of all the people: the reduction of deliveries and refusals to enter into contracts are compensated for mainly by increased prices for products. Sometimes they are concealed by a slight, inessential modernization of an item, and sometimes without this, particularly for services whose quality remains the same as before. In other words, prices and rates increase, the cost volume of production recorded in the plan increases, and profit which has no material support is wrung out. Such actions threaten the economy with serious shocks—and not only from the financial side. Economic growth is shaped artificially by such methods. It is accompanied by payments of higher sums in wages and bonuses, and monetary assets which they cannot realize are accumulated in enterprises' accounts; in the final analysis, this intensifies the material and physical shortages and shatters the economy. This has been discussed in the press many times.

Another way used by enterprises and associations which I have mentioned already is to turn out above-plan products and to sell them on preferential terms. These rights have now been granted to enterprises. But this must be above-plan output specifically, not the outward appearance of it against the background of a plan cut-back. The socialist economy is a planned economy. The plan forms the basis for the economic activity of socialist enterprises, and any attempts to weaken the planning principles of our national economy do not meet the fundamental objectives of the country's economic development.

The Law on the State Enterprise extends its independence. But this law does not give the right to conceal or understate production capabilities, capacities or resources or to reduce deliveries by rejecting contracts in order to have the chance later to acquire unearned bonuses by pricing and other methods. One conclusion suggests itself: neither an increase in prices nor an

understatement of plan targets is an economic foundation on which our national economy can be developed successfully. They have nothing in common with the principles of cost accounting, to which more and more sectors in the country are shifting, and they impede implementation of the tasks that have been set.

[Yefimov] Boris Mikhaylovich, how does the USSR Gosplan influence the organization of contracts? How is its coordinating and organizing role manifested?

[Yakovlev] An operations group under the supervision of the deputy chairman of the USSR Gosplan has been formed in the USSR Gosplan to coordinate actions related to contracts for the delivery of products of a production and technical nature. Meetings and regional conferences attended by managers of leading manufacturing enterprises, the basic consumer enterprises, and territorial administrations have examined the key problems in contract relationships; disagreements with respect to customers' orders have been brought to light and steps have been taken to settle them.

As with any new endeavor, the transition by enterprises and production associations to the new conditions of economic operation are accompanied by substantial difficulties. The USSR Gosplan is helping to overcome them. But this work requires unity of efforts by all participants in this complex process of economic relationships.

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Price Regulation Changes Proposed to Overcome Problems With State Orders

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[Article by Professor Ye. Yasin, head of a department of the TsEMI AN SSSR [Central Economics and Mathematics Institute of the USSR Academy of Sciences] and doctor of economic sciences: "Production, Direct Ties, and Wholesale Trade"]

[Text] Measures to restructure production planning and organize economic ties occupy a key position in implementing the radical economic reform. It should be clear that without these measures no changes in the distribution of monetary assets will yield meaningful results. The decisions of the June (1987) Plenum of the CPSU Central Committee and the 19th Party Conference, the Law on the State Enterprise (Association), and other directive documents have specified the essentials of these measures. **Firstly**, enterprises approve their production plans independently. **Secondly**, direct economic ties and wholesale trade should become the basic form of the relationships between them. In his report at the Seventh Session, Second Convocation, of the USSR Supreme Soviet, N. I. Ryzhkov, chairman of the USSR Council of Ministers, stressed: "It is important that this

is really wholesale trade, without reserves and authorizations, in accordance with customers' orders, with extensive application of contract prices, socialist competitiveness for customers, and the opportunity to choose a business partner. In the final analysis, this will create a socialist market for capital goods which eliminates the dictates and monopoly of the producer.¹ **Thirdly, the state's influence on enterprises' activity in this area is exerted through state orders and limits on material resources. The Law says that state orders are obligatory for inclusion in the plan, but they may be placed on a competitive basis, and when they are issued the mutual responsibility of the sides—the one that orders and the one that carries out the order—should be stipulated. It is apparent that this wording reflects characteristics of the formation and functioning of the economic mechanism, when it was required to indicate in the Law both what it should be and the characteristics of starting conditions.**

The Development of the State Order Concept

Implementation of the provisions listed was begun in the process of organizing the plan for 1988. An analysis of this period is worthy of close attention. The fact that state orders covered 90 to 100 percent, and at times even more, of the planned production volumes, including even castings for their own needs, metal scrap, and so forth, evoked a considerable amount of unfavorable criticism from enterprises. Practically no room was left for maneuvering and developing direct ties and wholesale trade. If some product was not included in the state order, difficulties emerged with financial support for production. This prompted many enterprises to ask for an increase in the state order, although this approach did not always guarantee that the resources required would be received. As a result, the traditional directive targets were given to enterprises under the guise of a state order. The provision that the sides were to be mutually responsible was not carried out. Relying on the Law on the Enterprise, individual collectives resorted to protests against the assignments, appealing to the press and organs of the Gosarbitrazh [State Board of Arbitration].

These shortcomings were subjected to sharp criticism at the 19th Party Conference, which demanded that the problem of state orders be resolved in conformity with the spirit of the radical economic reform. In the Provisional Regulations that were adopted on the procedure for forming the state orders for the 1988-1990 period, criticism of the shortcomings was taken into account and a substantial reduction in the orders' share of overall production volume was called for within the framework of the 12th Five-Year Plan. The range of products in the state order is being substantially reduced, especially in the processing industry; in particular, products consumed within a ministry are being excluded from it.

At the same time, the problem of the methods used in organizing state orders as the main form of direct planning influence on the volumes and structure of production cannot be considered finally resolved. We must

continue the discussion, especially as in the 13th Five-Year Plan, as the economy is normalized financially and the price setting system is improved, the accent should be shifted from the obligatory nature of the state order to its assignment on a competitive basis, with increased economic responsibility shared by the one carrying out the order and the customer. We would like to see the latter be an organ representing consumers, not a ministry to which a producer enterprise is subordinate.

In our view, the point of the matter is not simply the share of the state order, treated as an administrative assignment, but its interpretation as a really new type of relationship between enterprises and state organs, fundamentally different from the previous one, and how to approach it, taking the complex nature of the current economic situation into account. This can be done by considering state orders simultaneously with the organization of direct ties and wholesale trade in context with other elements of the radical reform—the restructuring of pricing and financial reinforcement of the national economy.

The concept of the state order that was developed in forming the plan for 1988 was based on three principles. The first one is its obligatory nature. Another one concerns definition of the state order's content: the most important products which determine national economic proportions have been included in it. The number of items in the plan were reduced by consolidation rather than by reducing the range of products. Let us point out right away that importance is a very vague criterion which raises doubts because it is not in conformity with the prospect that the share of state orders will be reduced and direct ties and wholesale trade will be expanded: after all, there will be no decrease in the proportion of the most important products. Let us note that this criterion has been retained in the new principle.

And one more principle: the priority nature of the state order is expressed in its provision with limits (reserves) of material resources. The state assumes full financial support for the production of output in the state order; enterprises must resolve supply problems for the rest of their output independently.

This concept has left the basic elements of the methodology and organization of planning untouched. If all three principles cited will continue to be put into effect, there will be no real improvement whatever. Let us look at things realistically. Assume even at first that the proportion approved for the most important range of products in the USSR Gosplan is at a level of no more than 50 percent. Producers will require material resources in accordance with it. In order to have even a formal right to provide them with these resources, the latter must be included in the state order as well. Otherwise, violation of the law and encroachment on enterprises' rights are unavoidable. Attempts to expand the content of a state order under pressure from customers have not been ruled out. And it is possible that most

producers will not begin to offer particular resistance as long as the state order is not in excess of their capacities. It involves the customary guarantee of a market and a convenient opportunity to shift responsibility to those who shaped the plan as long as the actions of administrators prevail over initiative and the desire to study the demand, to look for orders and to earn and as long as the old system is convenient for many persons in some sense. But the mechanism which creates incentive for economic partners and planning organs to reduce the share of the state order and to develop direct ties and wholesale trade has not been put into effect yet. Only the preliminary outlines were given in the Provisional Regulations. In a situation such as this, practically all products can get into the state order all over again or they will be distributed in accordance with funds and limits.

Why has the matter taken precisely this direction since the first step? The lack of experience, confusion in resolving many practical problems, and an attachment to the customary methods have had an effect. Problems of supply organization were not considered well, in particular: how to order materials and components for a product which is not part of the state order, and how to issue funds without having an order for a specific supplier. With invariable prices and the intensified shortage of most types of output and the weak effect of the ruble, it has been difficult to compel enterprises to adopt intensive plans in any other way. Practice has been pushing us into a well-worn rut. This is all understandable, but it is time to devote more thought to how to get out of it. Life demands that.

An Assessment of the Situation

Can a realistic scheme for planning be suggested which makes it possible to apply the interpretation of a state order cited above under the current complex conditions and to provide for a consistent shift to direct economic ties and wholesale trade without losing the advantages of centralized plan management? In our view, it can be, but the economic situation must be assessed sensibly and the scheme should take its characteristics into account.

First of all, we have to take into account the substantial **material and financial imbalance**, the gap between the funds in circulation and their material payment. Usually only the people's surplus savings, resulting from deferred demand, are associated with this. However, only the bulk of the "reserve" of the imbalance accumulated is expressed in savings. The channel through which this reserve is continuously replenished, and now, the insufficiently strict and incomplete cost accounting which enables enterprises that are operating poorly to cover their mismanagement with subsidies, bank credits and indebtedness to creditors, are much more dangerous. And today many enterprises which have shifted to self-financing have the ability to pay a considerable amount of money out of the base wage funds accumulated earlier to persons who are making a minimal actual contribution to production results.

But cutting off this channel by some one-time official act or in a brief space of time is fraught with serious complications, inasmuch as it would mean the elimination of many unprofitable enterprises, including the sole suppliers of their product; this aggravates the employment problem and makes it necessary for many persons to change their way of life, their vocation, and their pace of work and to increase their skills. Even raising the prices for meat and dairy products to reduce the subsidies when the public is fully compensated for the increased expenses would lead to substantial shifts in the consumption pattern, which also requires time for adaptation. So it is doubtful that excessive haste in resolving the imbalance problem is justified. This will have to be taken into account in reforming prices and in implementing the program for financial normalization of the economy.

One more way of overcoming the imbalance and eliminating shortage is to significantly extend the use of contract prices and prices that are set independently. Under current conditions this may lead to a rapid increase in prices. **Monopolization of the economy**, resulting from the high level of concentration and the narrow specialization of production in many sectors would intensify this. This is the second major problem (along with imbalance) in the radical reform, and a long-term one as well. A monopolist can always pass on his increasing costs and the burden of financial payments to the customer by inflating prices. There are no conditions for economic competition that are capable of holding price increases in check. In a balanced economy monopoly is not as dangerous: the level of prices is limited by the need to fight for the customer's ruble, for a share of overall demand. In this case, price is able to assist in eliminating shortage. But imbalance will contribute to reinforcement of the monopolist over and over again, giving him a completely free hand and removing the forces of economic incentive. Under conditions such as this, the uncontrolled increase in prices, including retail prices, would lead to the need to compensate for it with a corresponding increase in public incomes, and consequently, it would put an inflationary spiral into effect. The intolerability of such an outcome on any significant scale makes it necessary for firm prices, regulated by the state, to predominate for a certain amount of time.

But something else follows from this as well: retention of the state order as an obligatory assignment for this time, for production planning by the enterprises themselves when there are stable prices would inevitably lead to exclusion of unprofitable production. This phenomenon was observed after the reform in the 1960's, and signs of it are being detected now as well, threatening to thrust us back to comprehensive natural planning and administrative methods.

This outcome is unacceptable as well. The presence of problems which do not lend themselves to a quick solution cannot be a pretext for procrastination. We must look for a way out of the situation without delay;

moreover, the way out is ahead, on the path of a long-range, consistent policy which is the best one for the transition period. The planning scheme suggested below is worthy of discussion, we believe.

The Scheme for Planning in Accordance With Deviations

Let us assume that the five-year plan has been organized and that the basic proportions, stable economic norms, and so forth have been defined in it. It follows that this refers to current (annual) planning. It is not ruled out in the 13th Five-Year Plan, although the state plan in its previous form will not be adopted.

The general features of the scheme are as follows. Enterprises directly or through the mediation of wholesale organizations place and accept orders for the manufacture of products as requirements emerge. This is a very important feature. The cyclic recurrence of campaigns for orders and contracts adapted to the annual planning cycle—a characteristic feature of the planning system in effect—hampers the normal determination of requirements for resources and their economical utilization. It should be eliminated in the scheme cited.

For products which are part of the state order (let us call them product range A), enterprises have the right to sign preliminary transactions with partners. For other products (product range B), they can enter into economic contracts independently. Wholesale organizations group the requirements of small consumers, placing consolidated orders and providing services for the marketing of their product on full cost accounting principles. It is fundamentally important that enterprises have a choice: whether to establish direct ties or to have recourse to the services of a wholesale organization, and precisely which one. The monopoly of a wholesale component is no less dangerous than any other one.

In the periods set for beginning coordination of annual plans, the producer enterprises inform the ministries or other competent organs of all the orders that have been received (divided into product range A and B) and the extent to which capacities are committed. The customers and wholesale organizations advise of their requirements, particularly singling out data on orders that have not been placed. The information coming to planning organs deals principally with the deviations which developed in organizing the production and supply plans in accordance with horizontal ties (data on underloading or overloading of capacities and orders that have not been placed). For this reason, the scheme proposed as a whole may be called the method of planning in accordance with deviations.

On the basis of the data indicated, the planning organs determine the conformity of production and consumption volumes outlined to the approved indicators of the five-year plan. In the event of substantial differences they should look for opportunities to eliminate them by

economic methods. The most important element in this work is compiling the material balances and determining the extent to which there is a shortage of various types of products. As a result, product range A (the content of the state order) is made more precise. Products are excluded from it if the demand for them is being steadily met. On the other hand, items for which there are a large number of unplaced orders and for which capacities have been overloaded are included as part of the state order. The enterprises and organizations concerned are informed promptly of these changes.

Plans for distribution are put together in accordance with product range A, which has been defined more precisely, and the state orders are placed. Limits (funds) are distributed only for products which have been put in category A. Those who are filling the state orders are also provided with limits only for this product; they are obliged to order the rest through direct ties or wholesale trade. The rule that the state distributes what it orders is strictly observed.

Contracts which stipulate the sides' mutual obligations are concluded to fill the state orders. These may be general contracts, within the framework of which specific contracts between suppliers and customers set forth the requirements and define all the conditions for deliveries. The obligatory nature of the state order is retained for a certain time, but the contract makes it possible to increase its validity, coordinate the sides' interests, and implement the requirements of the Law on the Enterprise with respect to their mutual responsibility. It is necessary not only to declare competitive placement of state orders, but to establish the appropriate conditions for this immediately.

A fundamental characteristic of the scheme proposed is the coordination of state orders and wholesale trade with price regulation and the application of other economic levers. The objective is to stimulate production and economical consumption of products in short supply, which will promote balance and help to prevent an uncontrolled increase in prices. Let us examine a number of methods to regulate prices, taking into account the combination of various channels for distributing output. We will point out only that price regulation with respect to production planning is a new task for us. Until now the plan has been oriented mainly toward natural indicators and stable prices, and the latter have been recognized as an indispensable condition for planning. In the new mechanism for economic operation, the situation should be fundamentally changed. The plan is obliged to influence the national economy primarily by economic methods, and for that reason it cannot do without prices. In particular, a coordinated price may be among the conditions for contracts on state orders.

The placement of state orders and the allocation of limits in accordance with product range A are carried out in set periods of time, taking the preliminary transactions that have already been signed into account. All organizations

concerned should be promptly informed of the price changes taking place at the same time so that they have the opportunity to adjust their orders and production plan. After that the preliminary transactions acquire the force of a contract. It is important to emphasize that planning organs are obliged to make their observations or objections with respect to the preliminary transactions within accepted periods of time. If they do not do this in a timely manner, it is necessary to resolve the problem: just who should make up for the losses associated with cancellation of a contract or its implementation at a later time?

In accordance with the results of this work, the enterprises finally put their plans together and adopt them, submitting their basic indicators to the planning organs. Here the combined indicators are again checked with indicators of the five-year plan, together with the effectiveness of the economic measures aimed at ensuring this conformity. Additional corrective measures may be required within the framework permitted by the Law on the Enterprise.

This is the general scheme. Let us dwell on certain more important details and problems related to its implementation.

On the Composition of the State Order

There is no question that the state order should be made up of products having a strategic purpose. Let us reiterate that the main criterion for including the appropriate types of products in it, in our view, has to be considered the extent of their shortage. However, let us make a reservation: this will not be sufficient grounds in all cases. There is definite reason in the opinion that it is precisely the products that are most scarce that must be sold through wholesale trade at contract prices. Indeed, if we are referring to new, high-quality materials with assigned properties, which should be in limited demand at first, or to special highly productive equipment, the sale of such products directly at high prices will favor their acquisition by those who will ensure their most efficient application. However, there also may be other cases where products in mass consumption are involved, and an increase in prices for them is undesirable because of its effect on the costs of a large number of enterprises, which leads to their unprofitableness or to increased prices for other goods. And here is where a shortage also becomes a reason for including such a product in the state order.

There is one more reason—the monopolization of a product's production. A product's inclusion in the state order may be motivated by the necessity of controlling the negative tendencies of a monopoly to hold back an increase in production, allow quality to deteriorate, and set prices too high. However, it is common knowledge that many items are being turned out by no more than one or two enterprises now, which leads to gross overstatement of the composition of a state order. In order to

avoid this we must first of all eliminate cases of monopoly resulting from the extensive differentiation of a product or the manufacture of examples of advanced technology. In the first case we cannot speak of a monopoly in the precise sense of the word if there are a number of interchangeable products and several producers capable of putting any of them into production relatively quickly. The second case coincides with the form of scarcity preferably eliminated through direct ties and contract prices: progressive technology should also get to those for whom the gain from its application will exceed the expenses to acquire it.

A policy aimed at overcoming the monopolies of producers should increasingly become the principal motive for including such products in the state order. State orders should be placed at a number of enterprises for this purpose, sometimes even at the cost of a price rise to which individual customers may not agree. It must be kept in mind that separately they will seek to acquire the items they need from the best producer, promoting the reinforcement of his monopoly position. Planning organs, with the help of the state orders and other levers, should oppose such tendencies by consciously creating conditions for socialist competition and economically supporting those who can squeeze a likely monopolist.

Finally, fundamentally new equipment or technology (the demand for which still remains to be developed), which at first is often too expensive for an individual enterprise, is the most restricted and durable object of a state order.

Some hold the view that the state order should include a product being provided to sectors in the social area which are financed from the budget (public health, public education, and so forth). But such an approach implicitly presupposes a low price and consequently, the permanent obligatory nature of the state order. It is as if the maintenance of these sectors thereby becomes less expensive for the state, but it inevitably belittles the social area's position before providers, inasmuch as they turn out to be in the position of those forced to be supplicants. A situation very familiar with children's items! We think it is more expedient to give the social area sufficient allocations, to give it the opportunity to learn how to earn and acquire the required resources at common prices.

And then the definition of the composition of state orders will be changed in time and it will be turned more and more into a complex policy of planned regulation of production and economic ties differentiated in accordance with specific circumstances.

Methods of Regulating Prices

Let us now turn to the methods of regulating prices in coordination with the state orders, direct ties, and wholesale trade. Three types of prices may correspond to these three channels for the sale of a product: stable prices,

which do not react to the extent of a product's scarcity; planned-regulated prices, which react to the extent of scarcity, but within limits; and contract or independently set prices.² By combining the channels of sale and types of prices cited we can obtain a large number of alternatives for planned regulation of the socialist market. Selection of them should conform to the features of a product and the nature of the producers and customers (that is, the characteristics of the market for a given product), as well as to the specific situation in the national economy as a whole.

Let us look at several fundamental base alternatives.

Alternative I. Unified stable prices have been set for a product included in the state order as well as a product sold by direct ties and through wholesale trade. Essentially, this alternative is the one being implemented at present. The expected result is reduced production of a product which is not part of the state order, especially if it is not very profitable or is high in labor-intensiveness. A shortage which did not previously exist is developed, and hence the necessity of either including additional positions in the state order or changing the prices in order to overcome it.

Alternative II. Part of a given type of product becomes part of the state order and is sold at stable prices and the remaining part, produced in excess of the state order, is sold in accordance with direct ties and through wholesale trade at contract or independently set prices. Something similar was applied during the years of the NEP [New Economic Policy] and is now in wide use in the PRC and a number of other socialist countries. The results expected are as follows. If there are no preferences in supply, the state order attracts producers only by a guaranteed sale, which is not too tempting under shortage conditions. It is more advantageous to sell a product apart from the state order at possibly higher prices—this will prompt producers to try to reduce it. The customers will try to acquire the limits at stable prices, insisting on expansion of the product range and volume of state orders. It is possible that requirements will be reduced, but the problems of increased losses and unprofitableness will be intensified. If the number of customers without a flexible production technology is high, it follows that with low elasticity of requirements by price, this alternative is preferable when precisely these customers are provided for through limits from the state order without an increase in outlays and the others are directed to wholesale trade. However, there can be a rapid increase in prices here, especially when there is a general imbalance and a monopoly on production. Sooner or later it will also be necessary to raise the prices for state-ordered products.

One characteristic of this alternative in its broader form is the contradictions between the interests of the producers, customers, and the state; between the plan and the market, which bring about the use of administrative methods, including the necessity of state orders. It will

be necessary to resolve this contradiction in favor of one of the sides sooner or later, as in the late 1920's. But this outcome does not suit us today; we do not intend to reject the plan, but we must not abolish the market. We must develop it and learn to control it by means of planned economic regulators on the basis of its own laws.

Alternative III. The entire volume of output in product range A that is part of the state order is sold at a higher planned-regulated price (taking the extent of shortage into account). The point is to ensure that the plan, for which the state order is an instrument of sale, rests on economic stimuli from the very beginning and is not set off against the market, but combined with it. When there is a shortage of a product, a planned price promotes coordination of the interests of producers, customers and the state.

However, in reality this alternative is broken down into two, depending on the prices that are applied in wholesale trade. If these are stable prices of the current pricelist type, the situation will turn out to be identical to Alternative I: state orders for all items are more profitable, and what is not part of them rapidly goes out of production. If contract and independently set prices are used in direct ties and wholesale trade, they may be either higher or lower than the state order prices (according to the level of profitability). If they are higher it is clear that we cannot speak of an increased price for the state order: it may be attractive either because of guarantees of sale or some tax or other advantages of this type. Essentially the matter comes down to Alternative II. But contract prices may prove to be relatively lower; this is possible only in the event that balance is achieved for the bulk of a product and consequently the threat of an uncontrolled increase in prices no longer exists. And only in this case does Alternative III have true meaning. Under such conditions, it is important that Alternative III discovers through feedback the attributes of the planned-economic mechanism which, without permitting unjustified price fluctuations, contributes to the maintenance of balance, the elimination of shortage, reduction of the proportion of state orders, and to the development of direct ties and wholesale trade. It blends most organically into the scheme of planning described above, although it does not exclude the application of other alternatives. It is clear, however, that Alternative III cannot be utilized right away and not everywhere. It obviously should be extended in the last stages of the transitional period.

Alternative IV. Stable prices are set for a product that is turned out in the volume of a state order, as well as sold through direct ties. A product that is produced in excess of the state order in accordance with wholesale trade orders is sold at increased planned-regulated prices. This is roughly the alternative being proposed by the USSR Gosnab, in whose documents these are called commercial prices.

At first glance this alternative reflects only the departmental interests of the Gosnab system. But let us try to examine it in more detail. If Alternative IV is taken by itself, of course, without taking into account features in the national economy, it is inferior to Alternatives II and III. Under it the state order and direct ties are not advantageous to producers and the customers, on the other hand, seek to acquire the limits. In general, the situation is close to Alternative I, except for one factor. Wholesale organizations, without permitting an uncontrolled increase in prices, can interest the producer in increasing the output of a product which has not gone into a state order and thereby prevent it from being dropped from production without expanding the state order. Certain attributes of Alternative III are thereby found in this alternative. It may even be said that under these conditions, a wholesale trade order acquires the attributes of the state order which it should become in time, that is, without its obligatory nature, with the conclusion of a contract which takes the interests of all participating sides into account. The advantages of this alternative are temporary, of course. But they may prove to be particularly important for a way out of the situation that has developed and for consistent establishment of the conditions necessary to completely realize the principles of the radical reform for management of the economy.

The Transition Process

We can visualize such a sequence of steps in the transition to the new economic system. **The first step** is Alternative I, that is, steady unified prices. The situation in which we find ourselves now: the threat that a product not part of a state order will disappear and pressure in favor of expanding it. **The second step** is the introduction of the scheme proposed for planning in accordance with deviations and application of Alternative IV for regulating prices. There will be an opportunity to reduce the obligatory state order on an economic basis and requirements will begin to be defined more precisely, in view of the fact that they are determined directly from orders, not from overall production volumes as at present. While cost accounting will become tougher and redistribution within the sector and credit cannot conceal bad management, dissolution of shortage is begun. The development of direct ties is held in check and the wholesale component assumes the dominant position. **In the third step**, restrictions are removed from the use of contract and independently set prices in direct ties and multiple-channel wholesale trade is developed, including through the development of wholesale enterprises on cooperative or joint-stock principles by associations of producers and customers. All this is equivalent to the predominance of Alternative II. There is a danger—a rise in prices—but now it is held in check by the fact that in the previous stage a shortage did not develop and the opportunity emerged for customers to meet part of their needs at stable or planned-regulated prices. If the toughening of cost accounting and credit continues at the same time and antimonopolist measures are implemented

which stimulate the economic competition for customers, important sectors of the economy should achieve balance. However, state orders in this situation will turn out to be most unprofitable when there is pressure in favor of expanding them from the customers. **The fourth step** is a shift to Alternative III, the application of increased prices to products which are part of the state order, which stimulates its implementation, but restricts the tendency of customers to acquire a product in shorter supply at relatively low prices at the same time. The balancing of the economy, which by this time should be substantially improved, would have created the necessary prerequisites for this step. The state order prices may not even be higher than the contract prices necessarily, but together with the guarantees of sale and the tax and credit privileges, they should create the necessary incentives for producers. The action of the mechanism which maintains the best possible relationship among the state orders, direct ties and wholesale trade, from the viewpoint of efficiency, is engaged at the same time.

What has been said does not in any way mean that the alternatives described have to be applied with respect to all products in the same and only the same sequence. We believe that what is important now is to avoid a pattern. We must thoroughly study: the products from the viewpoint of their consumer properties, interchangeability, complementary attributes, and export and import merits; the producers (including in nonspecialized sectors), looking into the opportunities for production growth, concentration, specialization and monopolization; and the customers (their number and composition, the method of technology and elasticity of demand, and so forth). And then, based on this analysis, we have to select the appropriate alternatives in policy with respect to the state orders, prices, and wholesale trade. Essentially, this will consist more and more of the substance of planning at the sectorial level.

One of the arguable points is: who should place the state orders? Obviously, if they are really different from directive assignments, they should be placed by the customer departments. For example, tractors would be ordered by the Gosagroprom [State Agroindustrial Committee]. However, this can really be ensured only in the event that state orders are placed on a level with other orders and producers are free to accept or reject them, guided by their interests. This condition is reached only in the last stage of the transition. Since the conditions do not permit the obligatory state order to be rejected, it should be placed by some single organ which generalizes the requirements of all sides concerned and coordinates them with the available capacities. It may allocate the limits to other departments representing the customers. But then the question arises: why is the participation of departments needed if they allocate the limits for customer enterprises anyway and prove to be only intermediary authorities?

But the placement of state orders by a ministry when a producer enterprise is part of that ministry's system is also very questionable, chiefly from the standpoint of its

ability to reflect the customers' interests. Reorganization of sectorial organs' functions may be a solution. The rejection of administrative and command methods of work and the mastery of economic levers make a new type of vertical relationship necessary; it should be based not on administrative subordination, but on a clear-cut division of competence and mutual material responsibility. Management has to be exercised not in accordance with enterprises, but in accordance with the products, after organizational structures and work methods have been adapted correspondingly. Taking into account the lack of substantial practical experience in this field, it is advisable to organize appropriate experiments and scientific research as soon as possible.

Footnotes

1. N. I. Ryzhkov, "O perestroyke upravleniya narodnym khozyaystvom na sovremennom etape ekonomicheskogo razvitiya strany" [Restructuring Management of the National Economy in the Current Stage of the Country's Economic Development], Moscow, Politizdat, 1987, p 40.

2. We are purposely not mentioning limit prices, which are turned into one of the first two types of prices when there is a product shortage, but if they are lower than the established limit, they do not differ in any way from the third type.

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Electrical Engineering Industry Problems With Norms Detailed

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[Article by A. N. Lavrentyev, student at the Academy of the National Economy attached to the USSR Council of Ministers: "Economic Norms in the Electrical Engineering Industry"]

[Text] Economic norms ensure that national and collective interests are combined and develop enterprises' incentive to achieve the best end results. Essentially the norm is a socially necessary proportion with the help of which the relationship between production expenditures and results is systematically regulated, they are distributed and utilized, and the extent of enterprises' material responsibility is established.

The system of norms which has taken shape and is in use today includes prices, the turnover tax, amortization norms, interest for bank credit, norms of capital investment effectiveness, norms of payments to the state budget (payment for production funds and manpower and natural resources), norms of deductions from profit (income) for the budget and a higher organization, a norm for forming a wage fund, norms for forming an enterprise's cost accounting funds and setting rates of fines, and so forth. A system of economic

norms should meet requirements for integrity, completeness, balance, internal interdependence and interaction. It must be said that the existing system of economic norms does not meet most of these requirements and is contradictory in many respects.

Development of norms is based on the principles of scientific substantiation and social justice. Scientific substantiation infers that the norms reflect the objective economic laws of socialism, such as the law of value, the law of time savings, the law of systematic proportional development, and so forth. They should take into account the recommendations of economic theory, as well as advanced domestic and world experience. The principle of social justice is reflected in a more generalized form in the incentive provided to those enterprises which make the largest contribution to social development and in obligatory regulation of activity by enterprises which place their own local interests above the interests of all the people and bring harm to the national economy.

Among the characteristics of a system of norms are long duration, stability, flexibility, unity or differentiation, the guaranteed nature of an incentive (penalty) for improvement (deterioration) of an end result, equal intensiveness, and the objectivity of the limits permitted in immobilizing profit (income), and so forth.

The functions performed by norms are their final characteristic. There are three such functions: stimulating, distributive and fiscal. The distributive and fiscal functions hold a dominant position at present. This reduces the effectiveness of economic norms as regulators of enterprises' economic activity. The new economic mechanism provides for active utilization of the stimulating function.

The methodological foundations named were violated in working out the economic norms for enterprises shifted to full cost accounting. This stems from the fact that the norms were worked out within the framework of a five-year plan that had already been approved. Moreover, the substantial shortcomings in pricing, the finance and credit mechanism, and so forth have played a certain negative role. The systems of payments for resources and profit distribution promoting the principles of self-support and self-financing in the basic economic unit which are being introduced for associations and enterprises are not producing the proper effect in the situation cited, of course. Consequently, the negative aspects of the administrative system of management which has been in effect has left its mark on economic norms.

End results and profit distribution based on economic norms for the group of machine building industries whose enterprises are operating under the principles of full cost accounting and self-financing are provided in Table 1. And it should be noted here that even a requirement such as the stability of norms is not being observed in the course of the 12th Five-Year Plan. For example, the norm for the payment of production funds was changed for enterprises of the electrical engineering industry as follows: 6 percent in 1986, from 2 to 12 percent in 1987, and 4 and 6 percent for the 1988-1990 period.

Table 1. Distribution of Profit for USSR Machine Building Ministries, 1988-1990 (in percent)

	Ministry of Heavy and Transport Machine Building	Ministry of the Machine Tool and Tool Building Industry	Ministry of Construction, Road, and Municipal Machine Building	Ministry of Tractor and Agricultural Machine Building	Ministry of the Automotive Industry	Ministry of Chemical and Petroleum Machine Building	Ministry of the Electrical Equipment Industry	Ministry of Instrument Making, Automation Equipment, and Control Systems
Rate of increase in profit	153.2	159.3	165.0	131.9	156.9	157.2	164.3	176.2
Rate of increase in production volume	119.9	132.7	126.2	129.4	120.0	128.1	124.6	142.3
Rate of increase in labor productivity (for NChP [normative net production])	119.8	131.8	125.1	127.1	120.1	128.2	128.8	140.6
Proportion of profit channeled into state budget	37.4	54.6	62.1	53.9	44.8	44.2	51.7	36.4
Proportion of increase in profit channeled into state budget	77.7	65.1	88.0	100.0	90.9	58.6	67.7	69.0
Proportion of profit remaining at ministry's disposal	59.1	44.0	36.3	45.5	55.2	55.8	46.2	63.6
Norm for formation of the fund for development of production, science and technology (from profit remaining at ministry's disposal)	50.7	58.57	50.53	49.37	50.58	66.7	56.6	64.3
Norm for formation of social development fund (from profit remaining at ministry's disposal)	28.4	21.0	27.85	29.93	30.90	18.4	22.7	15.6
Norm for formation of economic incentive fund (from profit remaining at ministry's disposal)	20.9	20.43	21.62	20.70	18.52	14.9	20.7	20.1

Economic norms for enterprises of the electrical engineering industry, which were shifted to full cost accounting on 1 January 1988, were developed on the basis of the targets and calculations of the five-year plan (Table 2).

Table 2. Distribution of Profit for the USSR Ministry of the Electrical Equipment Industry (in percent)

	1988	1989	1990	
Profit	100.0	100.0	100.0	
Payments to state budget	44.9	50.4	55.0	
Including:				
—payment for production funds	10.5	9.6	9.0	
—payment for manpower resources	5.2	4.3	3.7	
				—deductions from profit for state budget (profit withholding tax)
				29.2 36.5 42.3
				Payment of interest for bank credit
				1.9 1.7 1.5
				Deductions for the ministry centralized fund and reserves
				18.3 16.1 14.2
				Profit remaining at enterprises' disposal
				34.9 31.8 29.3
				Including:
				—fund for the development of production, science and technology
				15.1 13.3 12.3
				—social development fund
				10.2 9.5 8.7
				—economic incentive fund
				9.6 9.0 8.3

A requirement was set as an obligatory condition in forming the norms: the norms developed should ensure that there is conformity between the amounts planned to

be paid to the state budget and the cost accounting economic incentive funds for enterprises and the ministry as a whole. In this situation, it is practically impossible to establish unified norms for payments to the state budget and the ministry and for forming the funds for production and social development, as well as for economic incentive. Basically, individual norms that were averaged out and stable for the 1988-1990 period were adopted.

Two rates are utilized to pay for resources at enterprises in the sector: for production funds, 4 and 6 percent, and for manpower resources, 200 and 300 rubles for one average staff employee, depending on the status of manpower resources in the country's regions. The significant spread in the magnitude of the norm for deductions to the state budget from the calculated profit results from the fact that this norm was set in accordance with the residual principle. The magnitude varies from 1.5 to 71.4 percent of the calculated profit.

The Ministry of Chemical and Petroleum Machine Building has a different approach to setting the norms for payments to the state budget. It appears that the approach to their formation, depending on the level of profitability, has a number of drawbacks. In particular, the scale for determining the norm of payment for production funds differentiates it merely in outward appearance on the basis of the level of profitability. In reality, all enterprises of this ministry (aside from those which have profitability of less than 7.7 percent), under the guise of payment for production funds, pay in a common share of profit amounting to 0.196¹, or 19.6 percent. This is clearly apparent from Formulas 1 and 2:

Formula 1

$$K_f = N_f : R_f =$$

$$S_f / PF : PR / PF = S_f / PR;$$

Formula 2

$$S_f = PF \times N_f =$$

$$PF \times (PR / PF) \times K_f = PR \times K_f$$

Key: K_f is the percentage of payment for each point of profitability; N_f is the norm of payment for production funds; R_f is the level of profitability for production funds; S_f is the total payment to the state budget for production funds; PF is the value of production funds; and PR is profit.

Consequently, the total payment for production funds in this ministry may be determined very simply by multiplying the profit by the coefficient of 0.196.

The scale for determining the norm for deductions from profit for the state budget provides advantages for unprofitable enterprises in distributing profit, and it also establishes conditions for underestimating plans and thereby reducing deductions for the state budget. Of two enterprises which have identical profit, the enterprise with the higher expenditures for production will have the lower deductions for the state budget.

The economic incentive funds for enterprises in the electrical engineering industry have been determined by combining different items of expenditure in the financial plan on the basis of similarity into three funds. The funds acquired have been divided into profit remaining at the enterprises' disposal. And the norms for forming funds have been determined in this way. Then the norms were averaged out. When such a method is used to determine the norms for cost accounting funds, the proportions in distributing profit which took shape at a previous time become crucial and the role of subjective factors is increased. It is clear that the norms obtained on the basis of a simple summarization of expense items are formal to a large extent and are characterized by a significant spread in their level (Table 3).

Table 3. Distribution of Electrical Engineering Industry Enterprises According to the Norms for Forming Economic Incentive Funds (in percent)

Magnitude of norm	Fund for developing production, science and technology		Social development fund		Economic incentive fund	
	By number of enterprises	By fund total	By number of enterprises	By fund total	By number of enterprises	By fund total
Up to 10.0	—	—	0.5	0.04	—	—
10.1 to 20.0	5.4	1.5	8.6	5.8	9.1	6.5
20.1 to 30.0	16.5	7.5	44.4	38.9	51.0	54.1
30.1 to 40.0	29.6	19.2	33.4	41.2	34.9	36.4
40.1 to 50.0	32.5	42.6	10.6	11.6	4.0	2.6
More than 50.1	16.0	29.2	2.5	2.4	1.0	0.4

In the sector, 37 of the enterprises (14.6 percent) have shifted to a form of cost accounting based on normative income distribution. This model best corresponds to the principles of countering expenditures and the ability to

earn funds for production and social development and wages. There is no doubt that these enterprises will encounter difficulties caused by customers' tardy payment for products and the imperfection of the financial system.

There are no fundamental differences in the methods of working out the economic norms for these enterprises and the enterprises who selected the first form of cost accounting. Only the norms for deductions for the state budget and the ministry were determined with respect to the estimated gross income, but the norms for forming the fund to develop production, science and technology and the social development fund were calculated with respect to cost accounting income (Table 4).

Table 4. Distribution of Gross Income of Enterprises in the USSR Ministry of the Electrical Equipment Industry (in percent)

	1988	1989	1990
Gross income	100	100	100
Payment for production funds	8.9	8.4	8.0
Payment for manpower resources	5.1	4.6	4.1
Payment of interest for bank credit	1.0	0.9	0.9
Deductions from income for the state budget	12.4	18.5	24.1
Deductions for the ministry centralized fund and reserves	13.0	12.2	11.4
Cost accounting income	59.6	55.4	51.5
Including:			
—Fund for developing production, science and technology	7.2	6.7	6.2
—Social development fund	5.8	5.4	5.1
—Unified wage fund	46.6	43.3	40.2

One of the most complicated tasks in implementing the new economic mechanism is to develop progressive, scientifically substantiated and stable economic norms for the 13th Five-Year Plan and get them to the enterprises in good time. Their formation should be based completely on the methodological principles we have named.

In the section on relationships between enterprises and the state budget, in our view, we have to shift to a single economic norm—a tax on profit (income) instead of norms based on the principle of payment for resources. Experience has shown that norms of payment for resources do not perform a stimulating role in increasing effectiveness in utilizing production funds and improving resource economy.

What should the norm be for a tax on profit: one that is unified for the national economy as a whole or one that differs by individual sectors (complexes of sectors), to be applied in the form of a unified rate or as a scale? These questions should become the subject of additional discussion by representatives of economic science and economic practice. At the same time, the permissible limits of profit (income) immobilization have to be

observed. Up to a certain limit an increase in the norm does not affect enterprises' incentives. But if this limit is exceeded, the economic norm smothers enterprises' activity. Excessive immobilization of profit (income) neutralizes the effort to increase production efficiency, since it takes from the highly profitable enterprises and gives to those that are unprofitable and operating at a loss. M. S. Gorbachev drew attention to this at the 19th Party Conference: "Many ministries have tried to establish norms that would help them as before to retain the ability to redistribute the funds from enterprises that are functioning well in favor of those that are inefficient." This reduces economic incentive for one type ("they will take it away anyway") as well as the other type ("they will give it anyway").

We think that normative deductions for the ministry's centralized funds and reserves should be organized in accordance with the principle of a tax on profit (income). As far as the norms for forming cost accounting funds are concerned, in our opinion, enterprises have to be given the right to work out and adopt these norms themselves. Only the norm for the correlation between an increase in labor productivity and an increase in wages should remain centralized.

Footnote

1. See V. P. Moskalenko and M. F. Balan, "Self-Financing Enterprises in the Sector," *FINANSY SSSR* No 7, 1987, p 14.

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REGIONAL DEVELOPMENT

'Rayonization,' Sovnarkhoz-Type Regional Administrations Proposed

18200061 Moscow *SOTSIALISTICHESKAYA INDUSTRIYA* in Russian 11 Oct 88 p 2

[Interview by V. Prokhvatilov with Boris Khorev, doctor of geographical sciences and professor at MGU [Moscow State University] imeni M.V. Lomonosov: "The Department and the Region"; first paragraph is source introduction]

[Text] Public opinion has long ago recognized a sad fact: departmental dictates in economic management are one of the primary hindrances to perestroika. How can we rid ourselves of them? There are many opinions on this question. Today Boris Khorev, doctor of geographical sciences and professor at MGU imeni M. V. Lomonosov expresses his point of view regarding this problem.

[Khorev] The essence of the idea is simple. We must return to the Soviets the real right to manage production on their territory. The legalized departmental self-regulation, which does not recognize the sovereignty of regional authority, is ever increasingly entering into contradiction with the logic of perestroika. A unique

duality of authority has been created: having proclaimed the rights of the enterprises and the Soviets, we have nevertheless not limited the numerous departments within them. Consequently, the redistribution of power has also not yet occurred. Moreover, indeterminacy has intensified, and this means that, regardless of whose hands the authority is in, it has been weakened.

This, of course, is a temporary state. However, we must consider the fact that after the last party conference the situation has changed drastically. While before we said that economic reform rests on the need for political changes, now, on the contrary, the approved conception of political reform forces us to take a more radical look at economic transformations.

Economic power, like political power, must in my opinion be given to the Soviets. This need is most clearly evident in the example of the Russian Federation. Surpassing most union and autonomous republics in size, population number and economic potential, the oblasts and krais of the RSFSR nevertheless do not have even a hundredth portion of their rights. They do not have their own academies, gosplans [state planning committees], or a well-developed network of scientific-research and planning institutes aimed at solving specific regional problems.

We must return to the Leninist principles of economic rayonization [rayonirovaniye] of the country. This is the only way to overcome departmentalism. Only economic and national-economic regions which are equal in their economic management importance and rights are capable of ensuring a balanced development of the entire country. These Leninist ideas have been developed in the works of the leading Soviet scientist in the field of economic geography, Professor N. Kolosovskiy. Working on the projects of the Ural-Kuznetsk Combine and Angarstroy, he laid the foundations for the theory of organization of the socialist economics on the basis of two principles—intersectorial “rayon industrial combines” and “power-production cycles,” i.e., groups of mutually interrelated sectors aimed at the integrated application of raw material resources up to the realization of the finished product. I believe we must place these ideas of N. Kolosovskiy at the basis of the restructuring of our economy.

[Prokhvatilov] What must it [restructuring] consist of?

[Khorev] The first step is restructuring and consolidation of the economic spheres of management according to the principle of production and infrastructural cycles. A classic, but alas, unsuccessful example in this respect is the USSR Gosagroprom [agroindustrial complex]. It is unsuccessful because old content has been placed in new form. We should have done what they did in Novomoskovskiy rayon of Tula oblast—reduce the apparatus to a minimum and force it to act on a cooperative basis, i.e., on kolkhoz funds.

The next step must be the scientifically substantiated economic rayonization of the country on the basis of large territorial-production complexes, specialized by completed cycles. Then there should be rapprochement, as much as possible, of the administrative-territorial division with the system of such economic rayons. This must be with consideration, of course, for the national and geographic peculiarities. The effectiveness of such a combination was theoretically substantiated many years ago, but in practice it will not be easy to resolve this question. However, the Soviets have no other way of consolidating political and economic power in their hands.

[Prokhvatilov] Boris Sergeyevich, you speak of the need to strengthen the regional division. What is this caused by?

[Khorev] The current administrative-territorial units are economically unequal. In the Russian Federation, for example, there are over 70 regions—oblasts, krais, and autonomous republics—all subordinated to the center. This means that Russia is practically unmanageable. This makes room for bureaucratic revelry. The eastern periphery is particularly hard-hit. Here there is an economy operating at a loss, uncontrolled migration of the population, an underdeveloped social sphere, and a poor ecological situation. In other words, any decision made in the center is reflected rather specifically here.

In order to ensure the possibility of full-fledged integrated development of all the RSFSR territories, it is necessary to form about 30 large macrorayon territorial-production complexes on its territories—modelled after the sovnarkhoz.

[Prokhvatilov] But sovnarkhozes would seem to be a by-gone stage in our history?

[Khorev] Not everything in the past was bad. I do not hide my sympathies for this form of management of the national economy. Economic works in recent times have convincingly proven that it was specifically in the periods of sovnarkhoz administration that our economy was the most effective. Enough has been written about the flourishing of the NEP [new economic period], but why do we forget that in those years the transition was made to a system of syndicates and sovnarkhozes based on the economic equality. This system was evaluated highly by V. I. Lenin. The system of sovnarkhozes was an organic part of the Leninist conception of socialism, toward whose re-creation in theory we are in fact striving today.

And 30 years later, in the 50's, it was specifically thanks to sovnarkhozes that there was a great leap forward in integrated regional development.

Unfortunately, much has been lost since that time. However, today the ideas of regional-integrated development are beginning to be resurrected. The first concern was recently formed in Estonia. In it, based on the

enterprises of the republic's Minlegprom [Ministry of Light Industry] and related cooperatives, industry and trade are merged, and a commercial bank is created which finances all the activity of the concern, including scientific-technical developments. In essence, this is the germ of a regional industrial sovnarkhoz, inseparable from the local organs and consisting not of administrative departments, but of syndicates, trusts, of territorial-production complexes, according to the terminology accepted in economic geography today.

[Prokhvatilov] Recently, much has been said about republic cost accounting.

[Khorev] The resolutions of the 19th Party Conference state: "The idea of the transition of republics and regions to principles of cost accounting deserves attention, with a clear definition of their input into the resolution of all-union programs". We are speaking here of increasing the responsibility of local organs for the resolution of major programs, so as to overcome the dependant attitudes which still prevail. However, there are many "buts" here. The notion of cost accounting of the union republics, in my opinion, contains an incorrect principle: to proceed in dividing the national economy not from the economic, but from the national-territorial indicator.

[Prokhvatilov] Could be happen, Boris Sergeyevich, that we will replace departmental boundaries with local regional ones?

[Khorev] This will not happen if we implement centralized planning and management of the economic methods. The implementers of such a policy may be the USSR Gosplan and the USSR State Committees on various directions. Moreover, the existence in every region of concerns which have branches throughout the country and even abroad would facilitate the process of division of labor and development of cooperation—in short, normal economic relations between the territories. And this, in turn, would ensure their balanced development.

Uzbek Gosplan Chairman on Special Need for Republic Reform

18200035 Tashkent PRAVDA VOSTOKA in Russian
28 Sep 88 p 2

[Article by I. Iskanderov, chairman of the Uzbek SSR Gosplan: "Radical Economic Reform Is the Foundation for the Entire Restructuring of the National Economy"]

[Text] At the present stage of communist construction our country, in accordance with the decisions of the 19th All-Union Party Conference and the July (1988) Plenum of the CPSU Central Committee, has entered the most crucial period of a practical realization of restructuring of society's sociopolitical and socioeconomic life. The need for such restructuring is due to the fact that, as a result of the dynamic and revolutionary development of the productive forces of socialism, nonantagonistic contradictions constantly arise between productive forces

and production relations. These contradictions are overcome through the implementation of specific practical measures aimed at improving production relations with a replacement of their obsolete forms with new ones, because production relations reflect the totality of social relations. As K. Marx pointed out, "In their totality production relations form what is called social relations and society and, moreover, form societies at a certain stage in historical development..." (K. Marx and F. Engels, "Izbr. Soch." [Selected Works], Vol 3, p 203).

Therefore, these production relations form the economic structure of society and the real basis, on which the political and legal superstructure rises and to which certain forms of social consciousness correspond. Hence it is clear why the task of ensuring all-around progress for Soviet society set by the party has begun precisely with the implementation of the radical economic reform as the foundation for the entire restructuring of social life. It is quite legitimate that this was followed by the reform in the political system, the democratization of society, and the legal reform and, recently, by the improvement in international relations. Thus, a many-sided and vast process of restructuring and renewing all the aspects of social life has begun. In our republic, as throughout the country, restructuring is gathering speed. Work, revolutionary in its essence, which is aimed at creating a qualitative, new state of socialist society, is being carried out.

The administrative-command system, which became firmly established in the economy during the recent past, rigid rules regulating the activity of enterprises, limitation of the rights of local management bodies, planning from above, and disparagement of the role of direct producers, ultimately, led to stagnant phenomena in the economy and society. In essence, the boundary between those that operate well and those that lag disappeared. It became unprofitable to improve the quality of products, to lower their production costs, and to increase labor productivity.

All these contradictions became especially aggravated at the end of the 1970's and the beginning of the 1980's, when the country began to lose the rates of advance in an especially obvious manner. For example, the rates of growth of the national income from 41 percent during the 8th Five-Year Plan dropped to 17 percent during the 11th Five-Year Plan. The country began to lag in scientific and technical development, difficulties and unsolved problems began to accumulate in all the spheres of life, and stagnant and other phenomena alien to socialism appeared. The contradiction between the attained level of society's development, on the one hand, and methods of management, abuses of power, violations of socialist legality, bureaucratism, and voluntarism, on the other, became aggravated to the limit.

Whereas throughout the country the economy was at a pre-crisis state, in Uzbekistan stagnant phenomena were manifested with the greatest acuteness, bringing the

republic to the verge of a genuine crisis. For example, average annual rates of increase in the gross national product during the 9th Five-Year Plan comprised 7.2 percent, during the 10th Five-Year Plan, 5.7 percent, and during the 11th Five-Year Plan, 3.6 percent, but during the first 2 years of the current five-year period, only 1.9 percent. The rate of increase in the national income dropped from 6.8 to 5.7 and 0.7 percent respectively; social labor productivity, from 3.8 to 2.7 and 0.7 percent. On the average, in the last 2 years (1986-1987) there has been an actual drop of 1.2 percent in labor productivity. As a result of the reduction in the productivity of social labor alone, the national income obtained throughout the republic's national economy has been 4.3 percent, or 850.4 million rubles, lower than envisaged.

At the same time, the rates of wage growth outstrip the rates of labor productivity growth. Their correlation in the republic's industry during 6 months of 1988 alone comprised 5.6 and 0.8 percent respectively. This is a sign of a "self-consuming" economy and to permit it under cost-accounting and self-financing conditions is equivalent, as V. I. Lenin pointed out, to "letting enemies into one's heart."

Of course, such inefficient management could not fail to be reflected in the indicators of the population's standard of living. Whereas during the preceding 5-year period the average annual rate of increase in per-capita real income comprised 4.6 percent, in the last 2 years, instead of an increase, this indicator has dropped 1.1 percent. The real possibilities for solving social problems are being narrowed: It is well known that Uzbekistan now occupies one of the last places in the country in a number of indicators of social infrastructure development. In particular, the average provision with housing comprises only 65 percent of the average-Union provision (12th place among the Union republics), with hospital beds, 92 percent (9th place), with places in schools for classes in one shift, 72 percent (12th place), and with permanent preschool institutions, 34.5 percent (12th place). Nor is the situation better with respect to the level of consumption of basic material wealth. The per-capita consumption of meat in the republic does not reach even one-half of the average Union level (15th place), of milk, 53 percent (14th place), of eggs, 41 percent (14th place), and of fruits and berries, 61 percent (13th place). The volume of per-capita retail trade turnover comprises less than two-thirds of the all-Union level and the provision with paid services, about one-half. **Under these conditions the implementation of the radical economic reform and an accelerated formation of a qualitatively new production management system are of special significance for the Uzbek SSR.**

What are the basic directions in the radical reform in the economic mechanism in the light of the decisions of the 27th party congress and the June (1987) Plenum of the CPSU Central Committee?

An integrated radical economic reform includes a number of specific fundamental measures. First, a sharp expansion of the limits of enterprises' (associations') independence, their transfer to full cost accounting and self-financing, increase in their responsibility for the highest final results, fulfillment of obligations to consumers, establishment of a direct dependence of the collective's income level on the efficiency of its work, and an extensive development of the collective contract in labor collectives.

An increase in the role of the basic primary production link is a qualitatively different, new approach to the development of the principles of socialist centralism and improvement in production relations. The USSR Law on the State Enterprise (Association) created the basis for the introduction of the indicated principles of management. The adoption of this law in June 1987 established the economic and legal foundation for the economic activity of the basic national economic link and legally affirmed the line of economic restructuring.

A total of 1,605 basic production links of the Uzbek SSR, including every fourth industrial enterprise, 40 construction trusts, the entire agroprom of Surkhan-Darya Oblast, all railroad and air transport and communication organizations, and most retail trade organizations, now operate under conditions of full cost accounting, self-financing, self-support, and independence. Collectives working under new conditions account for more than one-half of the industrial output. All the other enterprises of the republic's material production sectors will be transferred to full cost accounting and self-financing as of 1 January 1989.

The results of work during 7 months of the current year confirm that the first steps of the economic reform have stirred up the activity of labor collectives and had a positive effect on final production results. For example, whereas throughout the republic's industry output increased by 1.6 percent and labor productivity, by 0.8 percent, at associations and enterprises transferred to full cost accounting and self-financing production growth comprised 4.4 percent and labor productivity growth, 4 percent. With respect to agriculture the first experience showed that the production of meat at kolkhozes, sovkhozes, and interfarm enterprises operating under new conditions increased by 11 percent, as compared to the same period of last year, and of milk, by 8 percent, whereas on remaining farms, by 8 and 5 percent respectively.

Second, the radical economic reform envisages a practical revival of Lenin's ideas on cooperation as applied to the present stage in socialist construction. The cooperative movement in Uzbekistan is gathering strength, because cooperatives have big potentials for economic development and the solution of social problems. During the first half a year of 1988 the network of cooperatives in the republic almost doubled, reaching 1,331. The total number of people working at them was 29,000 and the

production volume amounted to 50 million rubles. Such types of cooperatives as trade-purchase, medical, scientific-technical, sports-health, and even economic and diversified combine-cooperatives have been established and are developing. At the same time, the system of the Ministry of Consumer Services accounts for 77 percent of all the cooperatives, where they produce 28.5 percent of the total volume of sold output and services; in public dining, 26.3 percent; in the production of consumer goods, 23.5 percent; in the procurement and processing of secondary raw materials, 0.5 percent. Nevertheless, the level of development of cooperatives does not meet the demands made and the cooperative movement has not yet acquired dynamism. The share of output produced by them comprises only 0.2 percent in the total volume of production of goods throughout the republic. At the same time, on 1 July of this year 553 registered cooperatives have not begun their activity.

Advanced, new forms of labor organization—the cost-accounting brigade and brigade, collective, family, and lease contracts—are of great importance for an increase in the efficiency of public production. The lease contract is getting a start in life and gathering speed. A total of 407 brigades, 32 independent links, and 696 family links work by this method at kolkhozes and sovkhozes, 84,000 hectares of arable land being assigned to them. A total of 29 brigades and 12 independent and 1,925 family links work in animal husbandry. A total of 14,000 head of cattle, 17,000 head of sheep and goats, and 243 head of hogs have been assigned to them.

A number of construction and transport organizations and consumer and trade services also work on the basis of a lease contract. In particular, they include the specialized mobile mechanized column No 333 of the Uzagromontazh Trust with 250 people, three plants of the Tashpromstroy Trust, and one section of the Tashkent Unit Plant. At the Tashkent Motor Pool No 6 a total of 295 machines operate on a lease basis and in Namangan, two sewing factories of the Uzbek SSR Ministry of Local Industry and a number of other collectives. About 16,000 cost-accounting brigades have been established in the republic's industry and construction by now and almost 6,000 brigades uniting 47,540 people work under conditions of the brigade contract. The first experience has already shown that the introduction of collective forms of labor organization and stimulation contributes to an increase in labor productivity (on the average, of 15 to 20 percent), rise in the wage level, and saving of material and labor resources. In the republic today collective and family contracts involve about 90 percent of the brigades in plant growing and 60 percent in animal husbandry with a total volume of produced gross output amounting to about 6 million rubles. Where the collective contract has truly become the master on land, labor results exceed those attained throughout the economy by 20 to 30 percent.

Third, the economic reform, giving greater independence to primary production links, envisages a fundamental restructuring of centralized economic management and a concentration of its efforts on the strategy, rates, and proportions of development of sectors and the national economy as a whole and on its balance. Thus, the center is freed of interference in the day-to-day activity of lower economic links. As stressed in the decisions of the 27th CPSU Congress, from now on central bodies should concentrate their attention on problems that can and should be solved only in the center and on the creation of optimal conditions for an efficient management of enterprises, associations, and territorial administrative units. This ensures the best combination of centralized planned management of the economy with the independence of its individual units and the development of commodity-money relationships.

Fourth, in an indissoluble connection with the restructuring of central economic management it is necessary to implement not only a radical reform in planning, but also in all other key spheres of economic management, that is, price formation, financing, and crediting, a transition to wholesale trade in the means of production, and a restructuring of management of scientific and technical progress, foreign economic relations, labor, and social processes. Only the solution of the entire set of the indicated problems will create the proper atmosphere for an efficient production activity of the basic economic link.

With regard to matters concerning the national economic plan the concentration of centralized economic management on strategic, truly national economic problems is connected with a significant rise in the role of long-term planning. From now on the concept of the economic and social development of the USSR and every Union republic for a 15-year period will be developed as the initial economic and political platform of prospects for the national economy. Every 5 years the concept will be refined, further elaborated with due regard for the changes occurring in the national economy and the new tasks facing the economy, and extended for the next 5-year period. The concept serves as a scientifically substantiated program for the preparation of basic directions in the economic and social development of the country and Union republics for 15 years with a more detailed singling out of the first 5-year period. The party's economic strategy is materialized in them in concrete figures and assignments.

The state five-year plan for economic and social development remains the main form of realization of the goals and tasks envisaged by basic directions. At the same time, the role of territorial management bodies, enterprises, and associations in 5-year planning has been increased significantly. Enterprises and associations now develop and approve their five-year plans independently.

Beginning with the 13th Five-Year Plan profound changes will also occur in annual planning. At the national economic level it is considered advisable to give up the development of annual plans as an independent form of planning. Enterprises and associations will form their annual programs, leaning on indicators, state orders, and normatives of the five-year plan.

Fifth, a radical reform in economic management is inconceivable without the creation of new organizational structures of management—beginning with the basic link and ending with sectors, regions, and the national economy as a whole—for the creation of optimal conditions for a highly efficient activity of all public production sectors. The present structure of management established basically in the 1940's and the 1950's, obviously, has become obsolete. It is multi-link, cumbersome, and bureaucratized and does not ensure the attainment of the goals of restructuring facing society and the country.

For the purpose of eliminating these shortcomings, a new general scheme for national economic management has been developed and is being introduced in the Uzbek SSR, as well as in other republics. It creates the necessary conditions for the transition from command-administrative methods of management to primarily economic ones and ensures an overall approach to economic and social development. In particular, Union-republic and republic ministries and departments performing related functions have been consolidated and united in the republic management link and the number of workers in the central administrative apparatus has been reduced by almost 5,000 people, or in one-half.

In the oblast link, on the basis of the tenets of the 19th All-Union Party Conference on restoring in a full volume the role and powers of soviets of people's deputies as sovereign bodies of national representation, there is a transfer of functions for an overall planning of the development of territories and the most efficient utilization of local resources—labor, natural, production, and economic—from republic bodies to executive committees of local soviets. Dzhezak and Syr-Darya oblasts have been united with the establishment of Syr-Darya Oblast; Samarkand and Navoi oblasts, with the establishment of Samarkand Oblast. All these measures will make it possible to reduce the size of the managerial apparatus in the oblast link by 30 percent.

For the implementation of practical national economic management main economic planning administrations for executive committees of oblast soviets of people's deputies are formed in oblasts with an inclusion of oblast planning commissions (oblplans) in them. The management of all economic work on the oblast territory with an active enlistment of local financial, bank, statistical, and other bodies is assigned to these administrations.

Thus, restructuring, especially within the framework of the economic reform, is taking its first steps in the republic. As practice indicates, intensification of the real

return from the measures taken can be ensured provided that the planning system, beginning with the primary economic link, can be improved overall with a view to fully utilizing all the advantages inherent in the new economic mechanism. Unfortunately, an economic approach to production problems is not yet always ensured in the work of enterprises and incentives for the development of stepped-up plans and improvement in the utilization of production and financial resources and in the quality of output have not been created everywhere. During the formation of the 1988 plan, as during past years, the fight continued for a reduction of assignments under various pretexts and attempts were made to hide the potentials for a reduction in production costs, labor productivity growth, and increase in profit.

The imperfection of the existing procedure of issuing state orders, which have not yet become true economic levers of planned production management, as required by the basic provisions of the reform in management, has also been uncovered. In a number of republic ministries and departments state orders for 1988 have encompassed virtually the entire production program, which has sharply limited the independence of the basic economic link in selecting the assortment of articles and contract partners and has narrowed the search for directions in long-term technical production modernization.

Such practice often leads to real absurdities, when products not in demand are included in the state order. For example, machine tool drives of a total value of 2 million rubles, which the consumer has rejected, have been included in the 1988 state order for the Sredazelektroapparat Association. Despite this the USSR Ministry of the Electrical Equipment Industry demands that the volume of output of these articles be increased to 10 million rubles in 1989. A state order for the production of hose wires exceeding the available capacities of this enterprise 2.6-fold was given to the Sredazkabel Association.

It should be noted that at present the category of the state order is being improved fundamentally. A sharp reduction in the share of the state order in the total production volume throughout the economy of republic subordination appears as one of the most important fundamental characteristics of the draft plan for the economic and social development of the Uzbek SSR for 1989. According to preliminary calculations, it will comprise about 20 instead of 49.9 percent, in fact, in 1988. But according to the number of types of articles, the state order volume is reduced from 53 to only 11. This will give enterprises scope for organizing direct relations and for a practical realization of their independence on a full cost-accounting and self-financing basis.

A practical realization of the principles of the radical economic reform depends to a decisive measure on the application of scientifically substantiated stable economic normatives and, primarily, normatives determining the formation at enterprises of funds for wages, economic stimulation of production activity, social development of the collective, and payments to the state budget.

There are also frequent cases of a direct dictate and violations of the Law on the Enterprise on the part of some Union ministries. The Ministry of the Gas Industry imposed on Uzbekgas five imported machine tools of a total value of 25 million rubles. Despite repeated rejections on the part of the enterprise of this expensive and, essentially, superfluous equipment, the ministry insists on its decision, which is incompatible with full cost-accounting and self-financing conditions. According to the directive of the USSR Ministry of Tractor and Agricultural Machine Building, a machining center—a flexible production system planned for another enterprise, which cost 4.5 million rubles—was imposed on the Tashkent Unit Plant. In 3 years its operation has already brought almost 3 million rubles of losses to the plant. Thus, carrying out extensive work on mastering progressive equipment and advanced technology, the enterprise turned out to be in the most difficult financial situation. Is this not an obvious contradiction to the new style of mutual relations between the basic link and the higher management body?

The lack of solution of many material and technical supply problems remains a hindrance in the cause of development of enterprise initiative. Life demands an accelerated development of wholesale trade in the means of production.

It is paradoxical, but a fact, that individual enterprises, which during the recent past were in favor of "minimization" of the state order, sensing now the "troublesomeness" of wholesale trade and direct contractual relations for the delivery of products, with all their strength try to include the entire production program in the state order, thereby undermining the basis for the radical economic reform.

Today, however, only one-tenth of the material need of production is ensured through wholesale trade and nine-tenths is still met by the old method—allocation. Ultimately, the development of wholesale trade signifies the establishment of a socialist market for the means of production, which needs special methods of management. Gosplan bodies play the leading role in its organization. They precisely will engage in the wholesale purchase of products from manufacturers and then will sell them to consumers without any limits.

Basically, these are the present problems in the radical economic reform requiring an urgent solution. I would like to stress precisely the short time assigned for their solution. The republic should enter the forthcoming 13th Five-Year Plan with an adjusted economic mechanism guaranteeing a dynamic development of the economy and a steady rise in the population's standard of living.

On the whole, evaluating the results of the republic's economic development during the past period of the five-year plan, it is necessary to note that the rates of economic growth have slowed down as compared to the assignments of the five-year plan: The assignment for the

gross national product is underfulfilled by more than 4 billion rubles and for the produced national income, by 3.5 billion rubles. A critical analysis of the permitted lag and the search for and realization of the ways of overcoming it and of increasing the efficiency of public production have determined the specific long-term program for economic work, which forms the basis for the draft of the state plan for the economic and social development of the Uzbek SSR for the forthcoming year of 1989. Intensification of the social direction and emphasis on the solution of major problems concerning a rise in the population's well-being are its distinctive characteristics.

In the course of developing the draft's indicators emphasis was placed on a search for internal potentials and possibilities for absolutely reaching the goals of the five-year plan during the remaining 2 years of the five-year plan. For these purposes special significance was attached to an increase in the efficiency of public production and to the attainment of a new quality in economic development. The course of improving the production structure through an accelerated growth in sectors that are carriers of technical progress—electric power engineering and machine building, as well as in sectors of the agro-industrial complex and those directly connected with the solution of the food problem, goods, and services—will be continued and strengthened. The rates of growth of processing sectors, in which the volumes of capital investments will increase by more than 20 percent as compared to the 1988 plan, will rise significantly.

The planned measures for increasing the efficiency of public production will contribute to a purposeful solution of social problems, primarily to an increase in the income of the republic's population. First of all, this will be reflected in a significant rise in the employment of the growing labor resources. It is planned to involve in public production not only the entire annual growth of the able-bodied population, but also, in addition, 66,000 people, who are employed in housekeeping today. Through further development of individual and cooperative forms of labor, as well as the contractual system of production and purchases of agricultural products, 43,000 people will be enlisted in socially useful labor. As a result, the level of employment of labor resources will reach 78.4 percent as compared to 76.4 percent in 1985.

Nevertheless, the problem of employment of the able-bodied population remains extremely complex, because about 500,000 people are unemployed.

It is necessary to dwell especially on a planned study through the solution of the food problem. As noted at the 11th Plenum held by the Central Committee of the Communist Party of Uzbekistan, in the republic there is a tense situation with meeting the population's food needs. The level of consumption of basic products lags significantly behind average Union indicators and the normative set for the republic. Such a situation is due,

first, to Uzbekistan's cotton specialization and, on the other, to the incomplete utilization of the economic potential of the agro-industrial complex created in the republic. Suffice it to note that meeting the republic's needs for meat and milk through internal production since 1980 not only has not been growing, but even has had a tendency toward a reduction. Whereas in 1980 the per-capita consumption of meat through internal production totaled 20.8 kg and of milk, 133.6 kg, in 1987 these indicators dropped to 20.7 and 132.3 kg respectively. The specific consumption of fruits, berries, and grapes also decreased—from 37 to 30 kg—and of vegetable and melon products, from 116 to 95 kg. Meanwhile, the created APK potential and Uzbekistan's natural and economic conditions make it possible to significantly increase the production of all types of food products and to perceptibly lower the tension in their consumption.

It is well known that the weak feed base remains the main deterrent in the development of public animal husbandry and increase in its productivity. On the average, the public sector obtains no more than 3.7 to 4 tons of feed units, instead of 5 to 6 tons, per hectare of fodder land, losing about 2 million tons of feed units annually. Such a quantity of feed would be fully sufficient for obtaining the missing volume of livestock products, reaching the level of meat and milk production envisaged by the Food Program and the five-year plan, and sharply increasing the average delivery weights of animals, which at present remain extremely low.

The plan for the forthcoming year attaches great significance to measures for an accelerated fulfillment of the assignments of the republic overall program for the development of consumer goods and the service sphere. The output of consumer goods at heavy industry enterprises increases significantly, basically through the mastering of new articles for cultural-domestic and household purposes and the establishment of specialized shops and sections for their production.

The volume of paid services for the public for 1989 is planned with a growth of 9.3 percent as compared to the assignment of the five-year plan and in total terms will exceed 2 billion rubles. This will make it possible to sharply improve the average per-capita indicator of the service sphere—from 75.3 rubles in 1987 to 94.12 rubles in 1989, or almost one and a half times.

Problems of accelerating and expanding housing construction are studied in the plan with special attention. The capital of cost-accounting funds of enterprises and organizations is actively used for these purposes—its share in housing construction will comprise no less than 16 to 20 percent. Individual construction accounts for more than one-half of the total volume of the annual housing program. The needs of individual and cooperative builders are backed in the plan with the necessary credits and with increased volumes of production and

sale through trade organizations of all types of building materials, although bureaucratic approaches to a normal organization of this process are often encountered in practice.

In the accelerated solution of the entire set of problems concerning Uzbekistan's social and economic development a key role is assigned to scientific and technical progress—the main lever in gearing the economy toward all-around intensification. The strategy of managing scientific and technical progress developed by the party consists in the following: first, while advancing on a broad front of science and technology, in concentrating funds and resources on main directions; second, in giving scope to the mass utilization of technical innovations and in obtaining the maximum return from them; third, in rapidly and purposefully conducting scientific, planning, and design studies ensuring the development and mastering of new types of equipment and technology, which increase labor productivity and improve the quality of output repeatedly.

A significant volume of work is to be carried out on environmental protection and an efficient utilization of natural resources, which will make it possible to increase the quantity of pollutants collected from the atmosphere and rendered harmless, will significantly lower the volumes of discharge of polluted sewage, and will increase the application of low-toxicity defoliants in cotton growing.

Major measures for a fundamental ecological improvement are to be carried out in the basin of the Aral Sea in the light of the tenets adopted by the Politburo of the CPSU Central Committee.

Restructuring is gathering strength. The way ahead has been opened. In order to really advance the accomplishment of the set tasks, vast efforts, creativity, and active labor are needed. The most complex, decisive, and, to a certain extent, critical years are ahead. Life itself will examine our plans, approaches, and methods of work on realizing the party course and its economic policy. Therefore, it is necessary to double and triple efforts, to ensure an unconditional fulfillment and overfulfillment of plans, and to create real prerequisites for the further increase in the republic's contribution to the country's unified national economic complex.

Lagging Azerbaijani Development Linked to Shadow Economy, 'Mafia' Clans

18200063a Baku MOLODEZH AZERBAYDZHANA in Russian 22 Sep 88 p 2

[Interview with Professor Korkhmaz Dzhangirovich Imanov, director of the AzSSR Gosplan Institute of Economics; interview conducted by Nikolay Davydov: "Stagnation, or The Long Shadow of the Shadow Economy"]

[Text] [Davydov] There is probably not a single person in our republic who has not in one way or another come in contact with the shadow economy, who has not been

personally affected by it or has not to a greater or lesser extent taken part in it, even against his or her will, even in the role of its "victim." Yet at the same time we not only did not recognize it as a serious problem, we did not even suspect its existence until we heard it spoken of at a high-level party forum. Was it really necessary to experience the tragedy of Sumgait, to come face to face with the explosive situation in Nagorno-Karabakh and surrounding it, for us to hear that in our republic there are "corrupt clans and dealers in a shadow economy..."? So what is this thing, so long plainly seen yet unseen, that has now come to be called openly the "shadow" economy?

[Imanov] Let me respond that it was not plainly seen! Everyone has a definite perception of this phenomenon, yet no one—not in the country at large nor here in our republic—has regarded the shadow economy as a scientific problem, a subject worthy of specialists' attention. It was like oxygen: we breathed it without thinking about it until it was discovered to be a chemical element in the 18th century... In his speech to the 19th All-Union Party Conference A. Kh. Vezirov, first secretary of our republic party Central Committee, emphasized that "over the past 15 years Azerbaijan's absolute lag behind union-wide living standards has not only not decreased, it has actually increased by a factor of two." You can see how "far" Azerbaijan advanced while it was ruled by the shadow economy. To the sound of drums, bristling with undeserved medals, casting upon the people the long and shameful shadow of the black market, deception and speculation, bribery, corruption and protectionism—inseparable parts and components of the shadow economy. Azerbaijan advanced, becoming with each step more deeply mired in the swamp of stagnation for which the new economic term is "stagnatsiya".

Perestroika is saying: STOP!! It is calling for new thinking, for expression of ethnic self-awareness through honest, creative labor which—and it alone!—enriches a nation, because anything else leads inevitably to its impoverishment—physically, spiritually and intellectually.

But restructuring is difficult, extremely difficult. And we continue to see imported clothing and shoes, radios, building materials, plumbing fixtures, scarce medicines, food products and many, many more things being sold under the counter at exorbitant prices. All you need is money, and you can get anything you want... But what is a normal, honest citizen of our republic to do, when his average monthly salary, according to the State Statistical Committee, is 164 rubles (whereas the nationwide average is over 200 rubles)? It is no secret to anyone that almost this entire sum goes for food, with little if anything left over for savings (for instance, just think how much one trip to the bazaar costs!). And people still have to buy clothes, go to theaters and concerts, go visiting or receive guests, go on vacation...

[Davydov] Yet nevertheless automobiles, VCRs and stereo systems are being bought, dachas are being built, gold and expensive jewels are hot items in jewelry stores, people take trips around the world, restaurants are full and people are not wearing rags. So it seems that people do have money.

[Imanov] The only people who have money with a capital "M" are the ones who have renounced their human principles and live by the motto: if you want to survive you have to know the angles. "Working the angles" within the limits of the law is laborious and yields little profit, yet in the shadow economy the range of possibilities is limited only by the imagination and appetites of those who participate in it. These are the people that Vezirov calls the corrupt clans and the dealers of the shadow economy; as a group they comprise the anti-restructuring forces. They still have their hands on the control levers. Azerbaijan will continue on its former course, the scoundrels will grow richer, and honest people who by their nature do not want to stoop to crooked dodges will remain passive participants, actually victims, of the shadow economy, forced to "contribute" a portion of their hard-earned income to it. But these people are immeasurably more numerous, and they favor restructuring. They want it, yet they are afraid to place their full confidence in it, because the burden of the shadow economy on the people is already too great; they cannot free themselves from it without decisive intervention by the state.

[Davydov] What do you mean by decisive intervention? Are we seeing it now?

[Imanov] Unfortunately we have not seen it yet. It means a battle against the shadow economy on every front, a coordinated blow against the corrupt clans, and a struggle against the mafia. Whereas the task of restructuring is to improve and simplify our economy, to make it socialist once again in line with the Leninist concept, an economy that would clear the way to a good life supported by honest labor, the task of the anti-restructuring forces is to hang on to and reinforce the positions they now hold. They will not give up those positions without a fight, just as they will not willingly return their ill-gotten wealth to the state's coffers. And the positions held by the shadow economy are exceptionally strong. For example, foreign scientists estimate the value produced by our republic's shadow economy at 40 percent of our national income. In other words, almost one half of Azerbaijan's state treasury is in the hands of anti-perestroika forces. So they definitely have something to defend. And since the shadow economy has large amounts of capital at its disposal and holds a "controlling interest," it remains a mortally dangerous alternative to restructuring in our republic, dragging us into stagnation, attempting to dictate its own terms with no compromises. Either the shadow economy or perestroika! Marx once wrote about this very same situation: "Capital avoids commotion and conflict; it is notable for its timid nature. This is true, but not the whole truth."

Capital fears a void. But once it possesses sufficient profits capital becomes bold. At 10 percent profit capital is agreeable to anything. When it gets 20 percent it starts coming to life, at 50 percent it is positively frantic, at 100 percent it flaunts all human laws and with a 300-percent profit there is no crime that it would hesitate to undertake" (K. Marx and F. Engels, Works, Vol. 23, p 770).

And under the laws of the shadow economy every ruble spent is supposed to yield three rubles profit—300 percent!

[Davydov] Everyone understands this intuitively, hence their skepticism. They say, well, the newspapers write beautifully and everything turns out fine on paper, but what has changed in Azerbaijan in the past three years except for prices, which have gone up? Our readers— young people full of energy—want to define the degree of their participation in restructuring, find out where to apply their efforts. Above all it is essential that they be able to recognize the true face of the enemy. Let us attempt to examine the anatomy of the shadow economy.

[Imanov] As I have already said, in Azerbaijan no one has studied this problem, therefore I have nothing to go on except my own rough estimates. As if to reproach us, in the West a great deal of work has been done on this subject. Calling the shadow economy the "second" economy, Western economists, Sovietologists and other specialists on our sore points have studied it long and in great detail (naturally for the purpose of later taunting us about it). I met one of these specialists eight years ago in America. This was Vladimir Trembl, a university professor in North Carolina, a serious scientist and a specialist on "both" of our economies. It was from him that I first heard of the second (shadow) economy. Afterwards I thought about it a great deal and discussed the matter with my colleagues, but at that time no one would have allowed me to study the subject seriously. During the stagnation period this was a closed subject for any Soviet scientist. Therefore it would be best to begin our analysis with a brief overview of what has already been done in the West.

Consider, for example, a book by Dr. Nicholas Lampert published in London three years ago; Dr. Lampert is a scientist at the Birmingham University Centre for Russian and East European Studies. In his book he gives a diagram of our country's second economy, including in it: a) all forms of illegal production of goods (from the making of illegal alcohol to private production of large quantities of consumer goods under the guise of a state enterprise); b) buying and reselling of goods for the purpose of making a profit; c) illegal organization and supply of private services (for example, by home construction and repair offices, transportation organizations, educational services, medical services and automobile repair organizations); d) all forms of "surcharges" in money or in kind for goods or services provided by employees of state or public organizations

and enterprises. The latter includes "tips" to sales personnel for the sale of scarce goods and all forms of bribes given to individuals in charge of the distribution and storage of consumer goods and production stockpiles; in addition, this concept can be extended to include bribery in exchange for a favorable, i.e., tolerant, attitude toward dubious accounting documentation.

This diagram is fundamentally correct, but it is only a diagram. In order to catch a glimpse of the mechanism and understand its inner workings we must have a detailed analysis. As I perceive it the shadow economy in Azerbaijan can be broken down into three components: production "on the left," the black market and the "service" sector.

I believe there is no need to explain the first component, as the reader is already aware of underground shops operating, as we have read in the press, using raw materials stolen from the state and selling their "underground" products in state-run stores. We are still seeing cases of substitution in stores, with low-quality goods being sold as higher-quality ones, hence at a higher price. Or sizes may not be correct; you may buy a jumper in size 50, but find out that it is actually a size 44, a cheaper size. There are still extra areas of cropland, with 100 percent of the receipts from the crop winding up in the pockets of these "businessmen," and endless hectares of orchards only formally registered to the state which in fact belong to private individuals. The staff of the Committee To Combat the Embezzlement of Socialist Property or the procuracy could cite numerous examples of this type, yet they do not, because to do so would mean immediate loss of their slice of the pie.

It is more difficult to analyze the black market, merely because of its dynamic nature and regional specificity. For example, no one in Leningrad would dream of paying five rubles for a pack of Marlboros, whereas the haggling starts with that figure in Baku. On the other hand, in Leningrad a bottle of vodka may cost twice as much as it does in the middle of the night at the "Kubinka" here. But that is today; what about tomorrow?! The black market varies within our own republic; Kirovabad and Agdam, Lenkoran and Kuba, Ismailly and Prishib are simply incomparable to one another in terms of the amount of money in the public's hands. In the mountainous regions of Azerbaijan, where supply is worse and the people poorer, the products available on the black market and the prices demanded are correspondingly different. The following items are typical of the current black market in Baku:

- clothing (children's, women's, men's)
- footwear (children's, women's, men's)
- VCRs and high-quality stereo systems
- automobiles and automotive parts

- building materials and plumbing supplies
- medicines
- meat and butter
- alcoholic beverages (including imported wine)
- cigarettes (primarily American).

I must include the caveat that this is merely the backbone of the black market, its most stable offerings. The full range of goods available depends upon seasonal and other changes and is strongly related to the artificially created shortages that drive up prices.

Obviously the black market would not continue to exist for a year if we tackled it at the state level. But since at some point in the depths of the period of stagnation law enforcement organs became intertwined with the criminal world, and since the corrupt clans (i.e., the mafia) are alive and well, this market remains a serious sector of the shadow economy and exerts a considerable influence on the standard of living in our republic, tending to lower it. That is why today a ruble in Baku and a ruble in Moscow are different things, with a ratio of three to one between them: a person can work honestly and make the same salary as someone in Moscow yet have a standard of living three times lower than the Muscovite's.

I do not know whether I have succeeded in portraying the seriousness of the problem in my description of production "on the left" and the black market. I am afraid that the readers are already well aware of all this.

[Davydov] The most important part of understanding the overall picture is to give a systematic analysis of the shadow economy, which is like an octopus with its tentacles twined around the national economy of Azerbaijan. Before the arrival of glasnost we could see only fragments of this picture, and those best informed only discussed them in a whisper, with never a chance to fearlessly bring them together into a whole.... But you also mentioned the "service" sector. Why do you put the word "service" in quotation marks?

[Imanov] We have not yet found a synonym to fit the concept, and somehow it goes against the grain to call the trade in official positions or "Intourist girls" "services." The problem is that the shadow economy, in a parasitic relationship to virtually all parts of the state system, has extended the range of its "services" to such antipodes of socialist morality as drug dealing, prostitution and gambling. This range of "services" also includes the use of slander, intimidation and even (recall the article "Lev Jumped" which appeared in LITERATURNAYA GAZETA) physical elimination against persons who resist or make trouble. If a person seriously crosses the mafia the consequences are anonymous phone threats, unpleasantness on the job, surveillance and nighttime encounters with armed "hooligans." And going to the

militia is useless, because they simply will not believe you or will say that you are imagining things. In any event, they cannot effectively protect you from this kind of "services" which, incidentally, are well paid for by the mafia. But these are, so to speak, "miscellaneous services." The main menu is as follows:

- health care: "non-state" treatment and medical services
- the educational system: "preparation" of medal recipients in schools, admissions exams and final exams for a price at VUZs and tekhnikums
- trade: the supplying of scarce goods to the black market
- the system of supply and sales: the supplying of scarce goods to the retail trade network
- transportation: "surcharges" for taxi rides and transport of furniture, building materials, etc., under-the-counter sales of railroad and airline tickets
- household services: excessive charges for official services
- cadres: bribes to obtain promotions
- administrative organs: monthly "fees" levied on the operators of production "on the left" (now these are cooperatives), the leaders and functionaries of the black market and providers of "miscellaneous services."

As you can see, the aforementioned components of the shadow economy—production "on the left," the black market and the "service" sector—when taken together amount to a duplicate of the national economy, casting their shadow over it and in a number of instances paralyzing state institutions and making them non-functional. Most offensive of all is the fact that any measures (such as a resolution on unearned income, an increase in the price of scarce goods, etc.) intended to limit the development of the shadow economy lead to a rise in prices on the black market and in the fees paid to the "service" sector.

[Davydov] What about the system of cooperatives, envisioned as an alternative to the shadow economy? Does it not help rectify this situation? Or can we not yet say that it has been effective?

[Imanov] The scale and characteristics which it has begun to assume are already in contradiction to the emphasis which the state placed on it. The principal problem is its lack of its own subsidiary economy. It acquires its raw materials and food products from the state-run sector, at state prices, and then sells its finished products at its own prices, which is only fair, since individual labor goes into the production of the goods. Yet what is the end result but an artificial price increase?

Look at the sectors in which the great majority of cooperatives in our republic have concentrated their operations. They have opened restaurants and cafes and are baking bread and pastries. Where are they getting the meat, flour, vegetables and fruits, eggs, milk and sugar, if they are not producing them themselves? As a consequence the apple that you eat sitting at a table in a cooperative cafe costs you more than if you had bought it at the highest price at the bazaar and eaten it at home. What about a loaf of bread for 50 kopecks or a ruble? True, thus far it is better than what you buy from the state-run stores. But will that last?! The rolls, at least, no longer taste any different than the ones sold in state stores. In a word, the cooperative food service system should stop and think about what it is doing, because the distortion is already visible. The operations of all sorts of sewing and small-scale cooperatives should also be analyzed thoroughly. Otherwise there is a danger that they will be transformed into underground production facilities or become part of the "service" sector of the shadow economy—in fact, of course, rather than in name.

[Davydov] Korkhmaz Dzhangirovich, we have come to the main point: the social consequences of the shadow economy. The entire Azerbaijani people and the entire multiethnic population of our republic are deeply troubled by the well-known events of this year, and quite frankly the situation remains tense. Giving a principled, partylike assessment of those events, Comrade A. Kh. Vezirov described what happened as an explosion of many years' accumulated dissatisfaction with living, working and everyday conditions and a protest against social injustice. What is your opinion as one of Azerbaijan's leading economists?

[Imanov] I would put it more modestly... I am merely a representative... The shadow economy is a cancerous tumor which has metastasized throughout our republic's entire national economy. And it has done so to such an extent that everyone feels the pain regardless of sex, age, religious belief, ethnicity or position. Putting this in economic terms, the operations of the shadow economy have led to an imbalance between the income and expenses of people employed in public production. An individual compares his expenses with his salary, and then in order to balance these two figures himself becomes an active participant in one sector of the shadow economy or another, dividing his labor into two parts: for a salary in the national economy, and for the appropriate "rates" in the shadow economy. Since rates are higher in the latter, his highest-quality labor is expended in the shadow economy, and labor productivity in public production declines proportionately. In other words, labor for the good of the republic, for its social and spiritual development, takes a back seat because the individual is forced to feed, clothe and shoe his family and himself. Therefore, for example, one can get better care from a paid physician; a patient who does not pay must spend more time going to clinics or languishing in a hospital bed. Terrible, but true.

The majority of individuals drawn into the orbit of the shadow economy are merely on the rolls in public production, yet are in fact "dead" as far as it is concerned. These are "dead souls" who cannot be counted by the State Statistical Committee, yet who are counted as workers by planning organs and included in plans for the national economy. In actuality this sort of "worker" is not standing at his lathe, but is instead standing on sawhorses in someone's apartment painting the ceiling, earning more than he is paid officially by the state. And the amount of labor he puts into a job depends on how much he is paid. Another such "worker" sits at the bazaar behind a barricade of greens or tomatoes, tenderly straightening sacks of hulled nuts. He is not going to show you his diploma certifying a degree in higher education. These are the forces about which Comrade Vezirov said: "As a result of economic miscalculations, today approximately a quarter of a million people of employable age are not engaged in public production." And he added that "the increasing number of young people in this population category is particularly alarming." Do not be offended if I say that some of them may be subscribers to this newspaper. But the first secretary said "approximately"; I as an economist would say "more than" a quarter of a million.

The aforementioned economic miscalculations gave rise to a number of disproportions in the economy. The present level of social development in our republic is not in line with the needs of the public, and the work being done by ministries, departments and local soviets in this regard is not adequate for a normal life. Due to a longstanding lack of adequate attention to ways of reinforcing the material base of the social sphere, and due to the "leftover principle" when it comes to allocating capital investment funds for its development, a disproportion has arisen between the actual amount of facilities in the social infrastructure and demand for them. Specifically, provision to the people of our republic of various facilities as compared to nationwide standards looks like this: housing—70.3 percent; preschool facilities—33.9 percent; hospitals—75.1 percent; retail trade volume per capita—59.1 percent. This is a statistical confirmation and illustration of what I have just said.

I could also cite other problems, but I do not believe there is any need to burden the readers with an analysis of them, as the newspapers have already written quite a lot on the subject. They include: an economically unfounded structure of interrepublic ties; a high percentage of raw materials and semi-processed materials among our exports (the only people who do this are the poor, the lazy or the irresponsible); an imperfect industrial structure based on low technology; incorrect specialization of our republic economy; increasing difficulty in supplying the population with food; the issuing of money (too much is already hidden away in the public's pockets, as a result of which the state is forced to constantly "print more" and put more "paper" into circulation); physical and technical aging of production equipment. And the list goes on.

[Davydov] What are the roots of these problems, and how can we eliminate the AzSSR's social and economic lag behind all-union indices?

[Imanov] The problem is rooted in irresponsibility and poor economic management on the part of certain heads of sectors and enterprises, plus the long shadow cast on the national economy by the aforementioned second economy. G. Kh. Popov, doctor of economic sciences and Moscow State University professor (you can read his comments in OGONEK, No 33, 1988), has written that at the present stage of restructuring it is essential that we create a model administrator who will take into consideration not only the state's interests but also the interests of his enterprise. Analysis of economic failures during the period of stagnation indicates that the principal reason for them was poor management: administration of the economy was in the hands of economically illiterate individuals who lacked initiative. Today the majority of administrators are not familiar with the elementary diagram of simple and expanded reproduction of social product.

In our country and republic there are hundreds of courses and dozens of advanced training institutes for administrative cadres. Specialists who do not have a mastery of the culture and elements of administration (of sectors) head them and serve as instructors. We can see this in administrative management methods, in resolutions by directive organs, in the way salespeople treat customers, in the dumping of valuable waste products, etc. Today's economic administrator is guided by just one motto: "Health is the most important thing! Everything else can be bought with money." This is a major error, and it brings in its wake a chain of other errors. Today we need to select and train economic administrators in the spirit of Western managers, who have a mastery of the theory of system analysis and knowledge of global economic processes, who have a hand on the pulse of world scientific-technical progress. Because considering the large bill that has been handed us by restructuring there is not and cannot be any room for an isolated national economy without ties to the economy of the whole country, just as there can be no Soviet economy without ties to the world economy. When this is properly understood and the aforementioned distortions eliminated, Azerbaijan's national economy will grow stronger, get back on its feet and stop casting such an unpleasant shadow. Our first task is to shorten that shadow. Restructuring is giving us an opportunity to do so.

Siberian Cities Association's Role in Solving Development Problems

18200042 Moscow SOVETSKAYA KULTURA
in Russian 27 Sep 88 p 3

[Interview with F.M. Borodkin, doctor of economics, section chief of the Institute of Economics and Organization of Industrial Production of the Siberian Department of the USSR Academy of Sciences, by T. Sitnikova: "Social Policy: Siberia and the Far East. Legends in the Struggles With Reality"; first paragraph is SOVETSKAYA KULTURA introduction]

[Text] Ten years ago, a state order—the long-term "Siberia" scientific-research program was developed and adopted for execution in the Siberian Department of the

USSR Academy of Sciences. Aimed at the development of the productive forces of the region, it focused attention mainly on the economic prognoses and substantiations, but by no means on the social problems and not on the concrete man. However, no matter how we should romanticize the Siberian with his courage and potential of energy, he must live here not with his patriotic impulses alone, but with the confidence that Siberia is his land once and for all.

[Sitnikova] What should be the social approaches to the development of Siberia today, in the period of restructuring? With this question began the discussion of our correspondent with Fridrikh Markovich Borodkin, doctor of economics and section chief of the Institute of Economics and the Organization of Industrial Production of the Siberian Department of the USSR Academy of Sciences.

[Borodkin] "You are not disturbed by the very word 'development'?" answered F. Borodkin the question with a question. You see, it clearly carries a "colonial" coloring. If you would ask how we in Siberia will assimilate world culture, whether we will be able to build a vigorous cell of general culture, such a formulation of the question would be legitimate.

Alas, we cannot renounce the old psychology and overcome the view of Siberia as a province, as a raw material appendage, from which one can endlessly extort gold, rare metals, gas, oil, and even manpower resources! And until now we have reflected little about the fact that the chief merit of the territory turns into its great misfortune. The enormous spaces, the settlements isolated from each other and from the entire world in the absence of a developed road network—all of this significantly impedes intraregional relations, not to mention contacts with the European part. In such conditions, both the development of the economy and the formation of modern norms of life goes more slowly. With all difficulties common to the country, the position of Siberia is still more difficult.

Real life has deromanticized the Siberian legends. The high Siberian wages, recalculated to the real living expenditures, did not prove to be so high. In the worse climatic conditions and in the presence of colossal expenditures of labor, they do not live better on the consumer plane, but worse than our Europeans. What is more, their health is not so enviable as this seemed previously.

Its own—labor and other—resources would be more than sufficient for Siberia to provide Siberians with everything necessary on the level of the average inhabitant of the capital.... But in actual fact it turns out that, in creating the economic priorities of the country, the Siberians themselves are compelled to be satisfied with a residual cultural and consumer concern. This is why Siberia has the right to count on constant assistance from the center.

[Sitnikova] Fridrikh Markovich, in insisting on such assistance, the Siberians risk being reproached of pursuing utilitarian, local interests....

[Borodkin] Such a reproach is possible—and so it is more convenient to turn our back on our problems. But in terms of the large calculation this is a question of historical choice. I am convinced: In the future, there will not be an easing of the fate of Russia if the fate of Siberia will not be eased today. Today we increasingly often talk about the fact that Siberia must begin to count on its own forces. With normal interregional relations, based on economic accountability, on truly economic, and not extortionate approaches, Siberia is capable of maintaining itself fully in all directions. Everything it has it can sell at the existing world prices. For this it is necessary to adjust the economic relations based on normal prices and normal price formation: The relations among regions, individual oblasts, and rayons.

[Sitnikova] Precisely these problems lay at the basis of the idea of the creation of the Association of Siberian Cities. Before the first organizational session of the association in 1988, the decree "On Measures for the Further Increase of the Role and Strengthening of the Responsibility of the Soviets of People's Deputies for the Acceleration of Socio-Economic Development in Light of the Decisions of the 27th CPSU Congress" was adopted. With new force, this theme was heard in the materials of the 19th All-Union Party Conference: Realistic conditions are needed for opening up the whole potential of the Soviets. How are these problems correlated with the tasks that stand before the association?

[Borodkin] The idea of the Association of Siberian Cities belongs to our staff associate L. Korovin. Our first experiment is connected with the city of Rubtsovsk of Altay Kray. We set the goal of elucidating the demands of the city and the sectors of its economy in the further development: What does it have that is keeping pace with social progress, what is lagging behind? They studied it against the background of 49 cities of Russia of the same type. And they revealed obvious defects in investment policy. The development of the social and consumer infrastructure lagged behind the all-union level by 300 million rubles. Our research made it possible for the city authorities to raise the question about additional appropriations.

After this, the subject "city" appeared in our institute's plan of scientific research work. As we became more deeply involved in the subject, practice raised increasingly new questions. For example, what depends on the capable management of a city? All know about the phenomenon of Klaypeda, where trade is working fine. More than 1,000 delegations have been there, but the experience has been adopted only by a few. Also known is the very acute vegetable problem in Siberia. In Kurgan they store vegetables without losses. Almost 400 delegations were also there. But the supply of the cities with vegetables, especially from mid-winter, is deplorable as

before. What mechanism is there for the dissemination of what has already been invented to good use?! This is how we arrived at the idea of our association.

In the decree mentioned, we singled out the problems which cities can decide independently; we designated their rights and obligations. The chairmen of the gorispolkoms and their deputies assembled in Irkutsk in order to see together how best to put the decree into effect. And at the same time to determine the most typical and unhealthy points for all cities, whose "cure" must be undertaken first and foremost.

So that a place for our association was prepared by life itself. It also dictated the goals: Mutual assistance, specialization and cooperation in the production of consumer goods; the creation of a common information bank of ideas and experience, its circulation, and the conduct of joint experiments; the increase of the qualifications of leading ispolkom officials, probation periods.

There are cities—for example, Chita, Krasnoyarsk, Omsk—which in no way reacted to our offer. But on the other hand, the members of the association—and there are 26 of them—already at the second session in Barnaul decided, besides payments, to allot money for the support of three to four released regular staff members—the association needs a secretariat which will be occupied with coordination activity. We could not even have dreamed about this: Beforehand we condemned ourselves to the fact that we will be "interrupted", to beg something from the government. And suddenly such an idea "from below. . . ." Splendid! And this staff will operate as long as it will be useful for the cities. It can demonstrate its usefulness only through the deed.

[Sitnikova] Can one already now speak of the concrete-applied use of the association?

[Borodkin] The 'Zhelye' program was discussed at the Barnaul conference. It was elucidated what shortages or surpluses exist and where. And in the Altay Kray itself, there turned out to be an overproduction of popular sanitary engineering parts. Thus, at the beginning of the road concrete projects of intercity cooperation were designated. The deputy chairman of the Irkutsk Gorispolkom, A. Kotsar, openly said at that time: "I will return home, I will introduce a proposal to repeal the recently adopted decision "On the Integrated Plan to Improve the City Housing System." Why should we cultivate a natural economy if it is possible to conclude a direct agreement with Barnaul, where there already exist capacities for the development of the municipal sphere?!"

Many were interested in the experience of Tomsk, where an economic reserve fund is being created. This is a general fund, its means may be used flexibly in all

directions. The means from the enterprises are allotted to it on the basis of flexible norms. And today already the Novosibirsk Gorispolkom regards this Tomsk variant as a possible base for itself.

Or, for example, Novosibirsk has now turned to us for scientific expertise of the "Zhilye-2000" Program. The city has the funds. But up to now we do not have the forces for this—it is necessary to divert employees from their basic work. We will find a way out from the situation: What is needed is a cooperative scientific research laboratory working on the orders of cities, where people would to work and earn additional income during their free time. We have many cities in Siberia which have scientific forces at their disposal.

[Sitnikov] Today we talk a great deal about the difficult relations of the city and enterprises in connection with their transition to full economic accountability. . . .

[Borodkin] The surveys which we have conducted in the cities of Altay Kray among large and small enterprises have shown that in the case of the transition to self-financing the attitude of the directors to the inquiries of the Soviets is very reserved. These interrelations previously, too, were difficult and, with rare exceptions, were not distinguished by mutual benevolence. The ispolkoms did not have economic levers. Those who could made use of administrative and other measures. The economic accountability-type relations are more just. But the directors are ready to renounce any obligations, if the needs of the Soviets do not coincide with the needs of their collectives. For the equipping with services and utilities of the city, Tomsk requires 24 million rubles annually. But in terms of the budget, it receives only 6 million. And in all spheres of the municipal economy there are quite a few such overfalls between what is required and what is available. Without mutual agreement and deliberate partnership, there is no solution to the budget problem of the city under the new system of management.

At present calculations of enterprise deduction norms are being made, which could give the city the possibility to develop normally. It is impossible to develop such norms in a centralized manner, to dictate from above. This is something which every city has to do on its own, taking into account the level of its development, its natural and other special features. Recommendations are possible only in one thing: How to organize the work better.

In my view, there are great prospects in the organization, by the city, of a cooperative for serving its own needs, beginning with street cleaning and ending with the improvement of utilities and services. This is a colossal method for the mobilization of forces. I think, for the sake of there being something useful and interesting in

the city, the enterprises will agree to give greater means to the cooperative. The chain "city-cooperative-enterprise" is a serious and opportune part of economic accountability relations.

MODELING, ECONOMETRICS, COMPUTERIZATION

Goskomstat Official On Unified Statistical Information System

18200038a Moscow VESTNIK STATISTIKI in Russian
No 8, Aug 88 (signed to press 22 Aug 88) pp 35-40

[Article by Yu. Yurkov, chief of the Administration for Improvement in the Methodology of Statistics of Goskomstat SSSR: "On the Concept of a Unified Statistical Information System"]

[Text] Profound transformations are now taking place in Soviet state statistics, which are aimed at turning it into an effective tool of planned economic management. The practical realization of the set of measures for restructuring the activity, organizational structures, and economic mechanism of statistical bodies will contribute to the solution of the problem of fully meeting the needs of all the levels of national economic management, as well as of the population, for reliable and profoundly analytical statistical information.

For these purposes the decree dated 9 October 1987 of the USSR Council of Ministers "On Restructuring the Activity and Organizational Structure of the USSR State Committee on Statistics" instructed Goskomstat SSSR to concentrate its activity on the development of an efficient statistical information system from top to bottom on the basis of a unified scientific methodology.

Goskomstat SSSR worked out and on 29 April 1988 approved the *Concept for the Development of a Unified Statistical Information System* (YeSIS), which is directed toward realizing the aims of the June (1987) Plenum of the CPSU Central Committee and the party and government decree on a fundamental improvement in statistical affairs in the country. This system is called upon to ensure an all-around and profound investigation of transformations in society and of economic and social processes. This will be a fundamentally new and scientifically substantiated system of collection, accumulation, processing, and analysis of statistical information based on an extensive application of economic and mathematical methods, modern means of communication, and computer and office equipment, which will encompass not only the system of state statistical bodies, but also the information bases of sectorial and regional management bodies, associations, enterprises, and other national economic links.

The unity of the statistical information system will ensure methodological and organizational guidance by Goskomstat SSSR of statistical affairs, accounting, and reporting in the country.

It should be stated that the statistical system was realistically formed in the country, but its sufficiently narrow interpretation in the form of the "system of state statistics" proper did not make it possible to optimally utilize the country's entire information potential.

YeSIS is designed as a flexible automated system, which makes it possible, in accordance with the changing goals and tasks of management of economic and social processes, to introduce, as needed, qualitatively new indicators and objects of investigation.

According to the concept the following are its most important components:

- a scientifically substantiated system of statistical indicators and the methodology of their calculation;
- a detailed system of macroeconomic, sectorial, and regional statistical models;
- a scientific organization of statistical observation;
- a new technology of collection, processing, accumulation, and presentation of statistical information;
- an interaction of the unified system with information systems of central economic bodies and sectorial and regional management systems;
- organizational-legal and material-technical support for the unified statistical information system.

Let us dwell in detail on each of these components of the unified system.

There is no doubt that the realization of its tasks is possible only on the basis of a *unified system of statistical indicators* with interconnected features reflecting processes of social life under specific conditions of time and place. In connection with this the indicated system should be the most important part of YeSIS.

The concept determines the basic directions in the improvement in the system of indicators, primarily the turn toward qualitative indicators, development of a system of generalizing indicators characterizing processes of acceleration of the country's social and economic development, restructuring of structural and investment policy, intensification of public production and increase in its efficiency, change in the system and methods of management, and ensuring an analysis of the final results of economic activity throughout enterprises, sectors, regions, and the national economy as a whole.

In many respects the existing system of statistical indicators does not meet the demands of the times and its individual indicators contradict the new mechanism of management. This is largely due to the fact that the system of indicators was formed during decades under

conditions of administrative command methods of management and extensive economic development. It was strongly subjected to the effect of national economic planning systems, which operated at different stages of the country's development, and for the most part was directed toward observing the fulfillment of directive assignments in the national economy.

Thus, the formulation of the problem concerning the development of the unified system of statistical indicators on its own basis without an excessive inclination toward current control should be fundamental. The system of indicators should be relatively stable and ensure primarily the needs for a profound study of the real tendencies formed in the country. It should be connected with the development of a scientifically substantiated methodology of calculating indicators and with an extensive use of economic and mathematical methods of processing and analyzing statistical information. This methodology should be based on a profound understanding of the social and economic content of the studied processes and phenomena in social life. A unified system of classification and coding of technical-economic and social indicators, national economic sectors, administrative state management bodies, units of measurement, output, and so forth is the basis for the system of indicators.

During the development of the unified system of indicators and their classification it is also necessary to take into consideration reproduction, sectorial, regional, and other aspects of real connections and interrelationships of social and economic phenomena and processes in social life.

The unified system of statistical indicators has now been adopted, but, without any doubt, active work in this direction will continue with the enlistment of serious scientific forces and practical statistical workers.

The concept envisages the development of a *detailed system of macroeconomic, sectorial, and regional statistical models* based on a scientifically substantiated system of indicators. It is a matter of the need to build economic-mathematical models of analysis and forecasting of economic development for every level of management. At the same time, as the transition from one level to another occurs, models will become complicated. The system of models should be open and make it possible to supplement it.

The presently developed macroeconomic statistical model of the country's social and economic development should represent the national economic structure expressed in the system of statistical indicators, which makes it possible to systematically and promptly make an overall analysis with the application of economic and mathematical methods.

A set of models of a sectorial (a national economic sector, a national economic complex, a ministry, and a department) and a regional (a Union republic, an economic region, an oblast, an administrative region, and a city) nature is to be established. By means of them it is possible to determine the effect of the most important factors on final results, to uncover unutilized potentials, tendencies, and patterns of economic growth, to evaluate the effect of intensive factors on an acceleration of public production, and to forecast the basic processes of the country's social and economic development.

It is also intended to apply economic and mathematical models at the level of enterprises and organizations with due regard for the preservation of the system's organizational and methodological unity. Furthermore, it is necessary to develop a system of models functioning within the framework of automated work places of economists.

Naturally, during the creation of the entire set of models, problems of unifying the methodology of calculating a number of indicators and coordinating the range of development of indicators in various statistical directions will arise. Thus, this work will involve certain corrections in the unified system of indicators.

A scientific organization of statistical observation is one of the most important and acute problems of state statistics. Recently, the forms of statistical reporting and its volume have become the object of close attention and criticism. The improvement in the entire system of statistical reporting gave definite results—the accounting-statistical load per reporting unit was reduced. However, complex work on developing a truly scientific approach to the organization of statistical observation is ahead.

It should be noted that the sectorial reporting of individual ministries and state committees and departments, as well as the reporting approved by goskomstats of the Union republics, has been reduced in the last few years. At the same time, intersectorial statistical reporting, whose basic volume is processed in state statistical bodies, has not undergone fundamental changes. The unification and integration of certain report forms have not given the expected results.

Under these conditions, as the most important direction in the improvement in statistical observation within the framework of YeSIS development, the concept presupposes ensuring an increase in the informativeness, reliability, and promptness of report data based on an organic combination of data of current reporting, censuses, and one-time, sample, and monographic surveys and optimization of statistical information flows. Ensuring a steady reduction in reporting, in the document turnover, and in the real load on enterprises and organizations and attaining a one-time reception from them of data for a subsequent repeated use for various purposes are set as a task.

Over the long-term period, with the development of automation of accounting and computing in the national economy and expansion of the network of communication channels, users of the unified statistical information system will receive direct access to initial accounting information, which will make it possible to sharply reduce the volume of regularly submitted state reporting with a simultaneous improvement in the promptness and quality of statistical information.

Especially organized statistical surveys and censuses should perform an ever greater role in the unified system.

The concept envisages expanding the practice of sample surveys in every way and, if possible, changing over from regular statistical reporting and full-scope one-time surveys to sample surveys; for the purpose of establishing the optimal volume of gathered statistical information and utilizing it efficiently and overallly, developing integrated systems of statistical observations in sectors and groups of sectors. These systems will help to ensure an efficient combination of various types of statistical observations, multi-goal use of information files, development of the register method of observation, and introduction of paperless technology into the system of collection and processing of reporting and statistical information.

The meta-information system, including an automated maintenance of classifiers and statistical indicators and forms of reporting, which ensures the formation, storage, actualization, and issue of all the necessary information on the composition and content of the reporting and statistical documentation system, offers qualitatively new opportunities. Systems of automated planning of its forms will be used widely.

It has been determined that, when planning the distributed system, it is necessary to give up a repeated duplication, during recording and storage, of the same data in various information systems, efficiently unifying them into uniform sets of interconnected and corresponding automated data banks. It is planned to provide for the possibility of integrated information processing logically combining interconnected information operations.

According to the concept, YeSIS ensures a feedback between the population and state and economic management bodies on the basis of representative population samples both for conducting one-time surveys of public opinion and for a prolonged observation based on specialized networks of changes in the population's material living conditions, family budgets, and the entire system of distribution relations.

Primary accounting in all national economic links is a part of YeSIS. In order that users of the unified system may be able to have direct access to automated banks of enterprises, automation equipment for carrying out primary accounting will have to be introduced. At the same

time, the very system of primary accounting should also undergo a fundamental change as applied to the requirements of the economic mechanism introduced in the country and the development of intraproduction cost-accounting relations.

The restructuring of regional statistics is one of the most important problems in the development of the unified system. For its radical improvement it is considered necessary to develop an all-around territorial system of statistical indicators with a different degree of detailing in order to meet the needs of national economic management in the Union republics, oblasts, cities, and rayons for data on the economic and social development of regions, at the same time, eliminating the shortcomings accumulated in information support at these levels.

The forms and schemes of statistical reporting flows are to be developed not only as applied to tasks at a Union level, but also with due regard for the fact that appropriate regions will have the necessary information in the full volume.

The realization of these fundamental principles is most urgent under present conditions and affects the interests of the entire system of state statistics.

Naturally, the YeSIS concept determined *the new technology of collection, processing, accumulation, and presentation of statistical information* as its tool.

The following are the basic principles in the introduction and use of new technology in the unified statistical information system:

- mass introduction of new-generation computer hardware;
- development of unified information processing technology on the basis of the use of data bases and banks and computer networks;
- use of hardware for the computer modeling of economic objects and processes in close coordination with information support for the unified statistical information system;
- development of means of communication between end users and computers on the basis of automated work places built on the latest achievements in the field of artificial intelligence and various kinds of expert systems.

Automated data banks distributed according to economic management levels (Union, republic, oblast, and rayon levels) will form the basis for an organizational and functional structure of the unified system. It should be built with due regard for the needs of system users for information, which arise in the process of forecasting, planning, and day-to-day management of the economy.

In the future the technical base of the unified statistical information system will be founded on hardware developed with due regard for the latest achievements, that is:

- fourth- and fifth-generation computers characterized by a speed of more than 1 billion operations per second, functioning of multi-machine and multi-processor sets and artificial intelligence systems, and development of global computer networks;
- new solutions in the area of data input devices, including graphic, semitone, color, and liquid-crystal displays;
- new data output devices, including nonimpact (laser, magnetographic, ink jet, and electrostatic) printers, graphic (including color) printers, optical readers, and facsimile printers.

In accordance with new technology information processing and transmission in the unified statistical information system include the reception of initial indicators for appropriate objects of statistical observation and output of the necessary statistical information to automated work places of users at a certain level. Information transmission according to the levels of hierarchy of the distributed data base is envisaged.

The use of new information technology in the unified system presupposes the existence of economic and mathematical support based on the development of hardware for the computer modeling of economic objects and processes and software built on the basis of new advanced methods.

A significant place in the improvement in the process of collection, processing, and transmission of statistical information is assigned to problems of interaction of *the unified statistical information system with other information systems*. Their solution will make it possible to give up the output of statistical data on paper and to change over to an exchange of information on magnetic carriers and through communication channels.

It will be necessary to specify the needs of users for information and the efficiency of application of statistical information in forecasting, planning, and day-to-day management; to develop unified generalizing indicators and the methodology of calculating and obtaining them in interconnected information systems; to significantly expand the interaction of the unified statistical information system with the automated control system for planning calculations so that corresponding subdivisions of Gosplan SSSR and Goskomstat SSSR may have direct access to the information bases of these systems.

The automated management systems of the USSR State Committee for Material and Technical Supply, the USSR State Committee for Science and Technology, the USSR Ministry of Finance, the USSR State Committee for Labor and Social Problems, the USSR State Committee on Prices, the USSR State Bank, and other

departments should interact with YeSIS on the basis of joint plans for the solution of problems concerning the selection, typization, and unification of systems of economic and mathematical models and compatibility of modern software and hardware designed for the collection, storage, processing, and transmission of statistical information.

With sectorial and regional systems of management YeSIS integration should be based on the following principles:

- information flows of statistical data of sectorial automated management systems (OASU) at ministries and departments are a part of the unified statistical information system;
- ensuring the possibility for direct access and use of information contained in automated data banks of YeSIS and OASU;
- ensuring the necessary efficiency, reliability, and authenticity of information both that obtained from OASU and that offered to appropriate users.

For the purpose of interaction with foreign users the Interstat Specialized Automated Statistical Data Bank will be established at the Information Publishing Center of Goskomstat SSSR.

For the organization of work on realizing the YeSIS concept it is necessary to work out before the end of 1988 normative-conceptual documents on the new technology of collection, processing, and presentation of statistical information, as well as on the interaction of the unified statistical information system with information systems of central economic bodies and with sectorial and regional management systems.

Specific plans for improving the skills of personnel will be adopted and the dates of their fulfillment will be set for each category of workers of the Goskomstat SSSR system. Normative documents regulating the planning, price formation, economic incentives, and recording and reporting of cost-accounting organizations of the Goskomstat SSSR system, as well as plans for strengthening the material and technical base, have been worked out.

The realization of basic directions in the restructuring of statistics envisaged by the Concept for the Development of a Unified Statistical Information System is slated for before the end of the 20th century. However, this should be considered of paramount importance in the activity of all Soviet statisticians right now.

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Formation of Normative Indicators Under Second Khozraschet Model Discussed

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[Article by V. Svirchevskiy, deputy chief of the Industrial Statistics Administration of Goskomstat SSSR: "Second Khozraschet Model: Formation of Indicators and Reporting Problems"]

[Text] In accordance with the USSR Law on the State Enterprise (Association) the labor collective can use two different khozraschet forms: those based on a normative profit distribution and on a normative income distribution. The existence of essential differences in these models sets for statistics a number of tasks connected with improving reporting forms and ensuring the development of consolidated data characterizing the activity of industry.

I would like to dwell on some of the problems connected with this.

The transition of enterprises to the khozraschet model based on a normative distribution of income obtained as the difference between proceeds from sales and material expenditures sets for statistics the task of improving the calculation of indicators of expenditures on production. In this khozraschet model the concept of production costs in the traditionally accepted sense does not exist, because the production cost indicator in its classic form does not have the basis for calculation. This circumstance, as well as the exclusion of production costs from the composition of directly planned indicators, gave reason for formulating the question of excluding production cost indicators from the system of indicators characterizing the efficiency of industrial production. In our opinion, such proposals are deeply erroneous.

Production costs represent the expenditures of enterprises on the production and sale of products expressed in a monetary form.

Production costs represent one of the key synthetic indicators most fully characterizing the activity of production associations and enterprises. The level of production costs of industrial products directly depends on labor productivity growth, an efficient use of fixed capital, saving of raw materials, supplies, fuel, and power, reduction of unproductive expenditures and losses, and so forth. Thus, a reduction of production costs depends on an improvement in all the aspects of enterprise activity.

One generalizing indicator cannot be used for the characterization of production costs of industrial output. Only a system of interconnected indicators can meet all the requirements placed on a statistical study of production costs of industrial output. It should characterize production costs of individual items, total production

costs of the entire combined mass of output (jobs and services), and its structure and dynamics and make it possible to uncover existing production potentials.

Production costs per unit of specific items are the basis for the system of indicators of production cost statistics. Production costs of output are calculated on the basis of data on production costs per unit of output. The role of indicators of production costs per unit of output is especially big for sectors producing homogeneous products (coal, gas, petroleum and so forth).

Along with indicators of production costs per unit of key items there is a need for a consolidated indicator making it possible to measure production costs of the entire mass of output at individual enterprises, a sector, and industry as a whole. Production costs of output, which represent the combined production costs of all items produced by an enterprise, represent such an indicator. Interconnection between production and financial indicators of enterprise work is made on the basis of this indicator.

Indicators of production costs of all commodity output are not suitable for determining the level of production costs, as well as for dynamic comparisons, because the magnitude of this indicator is largely determined by the rates of growth of production volumes. In order to determine the level of production costs, it is necessary to exclude the effect of production volumes, which can be attained only through the application of relative indicators.

The indicator of expenditures per ruble of commodity output meets to the greatest extent the requirements placed on the synthetic, generalizing indicator in the system of indicators concerning the statistics of production costs of industrial output. It levels the effect of production volumes on the total amount of production costs of output and is suitable both for determining the level of production costs of an enterprise, a sector, and industry as a whole and for dynamic comparisons.

The enumerated functions of the system of production cost indicators and the realization of the demands placed on it in the practice of statistics make it possible to talk about the need to preserve in accounting data characterizing expenditures on production. This need is also due to the fact that under present conditions renunciation on the part of the organization of khozraschet activity of production cost indicators signifies renunciation of the base of existing prices, since reliable methods of working out prices not connected with production cost indicators have not yet been proposed by science. Furthermore, with an exclusion of production cost indicators from the system of state reporting, it would be impossible to consolidate data characterizing the results of economic activity both at the regional level and throughout the country's industry.

At the same time, it is obvious that for enterprises applying the khozraschet form based on a normative income distribution it is necessary to provide indicators, by means of which it would be possible for consolidated elaborations to determine on the basis of calculations production cost indicators according to the sum of "consolidated" elements—material expenditures and expenditures equated with them, depreciation, deductions for social insurance, and expenditures on wages (the wage fund). Indicators of planned calculations of production costs should also be determined accordingly.

At the same time, the characteristics of two khozraschet forms, under which production cost indicators differ both in methodological and absolute (value and figure) terms, are taken into account. Whereas under the conditions of application of the khozraschet form based on a normative profit distribution the wages forming part of production costs of industrial output appear in the form of an expenditure, under the second khozraschet model, in the form of income. Furthermore, production costs of output determined under different khozraschet models will differ in the amount of additions from the material incentive fund, which (all conditions being equal) enter into the residual wage fund and cannot be separated from it, but can be included (conventionally) as part of this fund in the production costs of output of enterprises using the second khozraschet model.

Traditional indicators of production costs of output throughout the ministry, whose enterprises use different khozraschet forms, are also distorted accordingly.

To eliminate the indicated methodological noncorrespondence, it seems advisable, when determining production costs of output throughout enterprises using the khozraschet form based on a normative profit distribution, to include in production costs of output the entire wage fund (that is, wages with additions from the material incentive fund). The inclusion of the entire sum of wages in production costs of output will fully correspond to the theoretical proposition concerning the reflection of the full sum of expenditures connected with an expanded reproduction of manpower in expenditures on production. Furthermore, the proposed procedure of determining the composition of indicators of production costs of industrial output contributes to a significant simplification of reporting and to a reduction of planned accounting operations at industrial enterprises and creates the prerequisite for the transition to an element-by-element calculation of production costs—uniform for the two khozraschet forms envisaged by the USSR Law on the State Enterprise (Association).

At present in industry expenditures on production are calculated by items. At the same time, significant conventionalities are permitted in the part of distribution of overhead (standard-permanent) expenses. All the known methods of distribution of overheads do not ensure the necessary accuracy and reliability of calculations. The

transition to the calculation of production costs of output (jobs and services) according to economic elements, along with a significant simplification of calculations, will make it possible to coordinate to a greater extent calculation with khozraschet indicators evaluating enterprise activity.

In connection with the changes envisaged by the standard statute on the formation and use in 1988-1990 of the centralized fund for the development of production, science, and technology and ministry reserves for enterprises transferred to full khozraschet and self-financing, expenditures taken into account under the new conditions in calculations of normatives for the formation of economic incentive funds should not be included in production costs of output.

In particular, expenditures connected with the following are not subject to inclusion in production costs of industrial output:

- with the payment of bonuses according to special bonus systems;
- with deductions for the maintenance of the managerial apparatus of superior bodies and into the ministry fund;
- with the training, retraining, and improvement in the skills of personnel (of the nature of deductions into the centralized fund of ministries and departments), as well as tuition.

The reception of data necessary both for calculations under the second khozraschet model and for the computation of net output requires the singling out in reporting on production costs of indicators of material expenditures. Only a direct reflection of material expenditures in reporting will make it possible to avoid the additional counts that are inevitable during analytical elaborations of the volumes of net output, which are presently performed for the purpose of ensuring balance elaborations of the country's national economy.

The indicator of "material expenditures" should include expenditures of enterprises on all the consumed material resources according to the following elements of expenditures: raw materials, basic and auxiliary materials (including expenditures connected with the utilization of natural resources), purchased articles, semifinished products, jobs and services of a production nature, fuel and power used for technological and other production needs, and the wear of tools, devices, and implements. At the same time, independent industrial enterprises forming part of a production association, when performing jobs and services of a production nature for other structural subdivisions forming part of an association, should appear as outside organizations. Material expenditures should also include expenditures on the payment for jobs and services of a production nature performed

for an enterprise by its own nonindustrial production facilities and farms; expenditures connected with the provision of services included in the volume of output.

When the full amount of material expenditures on output is determined, statistical reporting should also take into account the following material expenditures: in the change of remainders of expenditures of future periods and reserves of forthcoming expenditures and payments, as well as in changes of remainders of incomplete jobs, semifinished products, tools, and devices of internal output and sums written off to nonproduction accounts.

The existing primary accounting and the journal entry accounting form do not make it possible to obtain "direct" data on material expenditures of sold output. Therefore, the proposed scheme of reflection of material expenditures in statistical reporting is of a palliative nature.

A full solution of the problem is ensured only if the calculation of expenditures on production as applied to the tasks of precisely determining the actual volume of net output is restructured. In its economic content gross income is adequate to the amount of the newly created value and sold net output constitutes the basic proportion in its structure. Even under the conditions of development at enterprises of another economic activity and expansion of the sphere of paid services for the public sold net output will always occupy the dominating position in the structure of gross income.

Whereas for the planning procedure the most significant difficulties occur during the development of planned indicators of gross enterprise income in actual prices, for accounting there are no fundamental complications in the reflection of gross income in existing prices in report forms. If we consider the indicator from the point of view of the "minimal" sphere of application of gross income in current prices, as an indicator of extrapolation of production efficiency dynamics, when it is calculated on a factual basis with a certain lag, difficulties accompanying the planning of gross income do not arise.

In our opinion, the extrapolation of price dynamics and the effect of this factor on the amount of gross income present the greatest difficulty in the planning of this indicator. This is connected with the fact that the planning of changes in wholesale prices brought to the enterprise level does not exist at present, which does not make it possible to take into account at the planning stage long-term changes in gross income. In our opinion, however, the point of view of the need for planning the produced gross income in comparable prices is the consequence of the persisting inertia in planning thinking, which "dreams" about the value tool of planning. In addition to difficulties of an accounting nature (some components of material expenditures exist only in actual prices, in connection with which they need an apriori recalculation into comparable prices and this gives the

possibility only for an approximate evaluation insufficient even for a forecast), the gross income indicator in comparable prices, on the one hand, is not suitable for reflecting the movement of physical volumes of output and, on the other, distorts the financial results of management and hampers the orientation toward an increase in production efficiency. The movement of sold output in comparable prices best shows the dynamics of physical volumes of output, at the same time, not reflecting the efficiency of the collective's own efforts. Therefore, under the conditions of rigid physical planning (the practice of presentation of the state order encompassing the entire list of products in 1988 is of a mass, if not of an overwhelming, nature) the use of sold output in comparable prices is considered a reliable base for wages "under the plan" in physical terms. From this point of view gross income in comparable prices is distorted to a greater extent, because a similar difference in prices according to material expenditures is added to the difference between the actual and comparable price. Taking even into account that the total error cannot only increase, but also be liquidated, the uncertainty of wage planning with the use of gross income as the base increases.

At the same time, such a reasoning of the merits and demerits concerning the use of gross income in planning is determined primarily by the position of a rigid wage regulation. However, practice has shown that the striving for a rigid wage regulation from the center leads only to the striving on the part of enterprises to bypass limitations inevitably "placed" in this case. Then the task of regulating the measure of labor and its remuneration from the center becomes virtually unrealizable.

Keeping in mind that the dynamics of gross income in current prices (or labor productivity calculated on its basis) correctly reflects the tendencies in production efficiency, proposals on the use of this indicator as an evaluating indicator are put forward (the procedure of calculating labor productivity on the basis of gross income has already been adopted for the second khozraschet model). It seems that under the conditions of development of khozraschet relations and democratization of production management there is no longer a need for a special use of evaluating indicators. However, during the current five-year plan gross income, despite all the unsolved problems concerning planning procedures, is planned even before its introduction into the practice of management. This is connected with the situation, in which the distribution of gross income should correspond to already formed assignments of the five-year plan, which determines the most important aspects of the economic activity of enterprises in an excessively rigid manner.

Under these conditions the introduction of the normative system of gross income distribution can be only of a formal nature. Most likely, both planning and accounting problems under the conditions of the second khozraschet model should be considered a preparation for a

wide popularization of economic methods of management during the 13th Five-Year Plan, an approval of the methods of planning and practical use of economic normatives, and teaching managerial personnel work under fundamentally new conditions, that is, as a stage necessary for breaking existing stereotypes of management.

Therefore, the present stage in self-financing can be considered with good reason an experimental stage, in the course of which the new economic mechanism is worked out.

Among the problems facing statistics in the part of performance of an economic and statistical analysis of improvement in the economic mechanism, ensuring the comparability of indicators of enterprise activity under different conditions of management is one of the most important. That is, if this problem is examined from the standpoint of analyzing the course of economic experiments, it is a matter of selecting the control object, without a comparison of the indicators of which it is impossible to give an evaluation of the efficiency of the approved economic mechanism. Under the conditions of the significant expansion in the range of enterprises transferred to self-financing—and as of 1988 full khozraschet accounting has become a reality for enterprises and associations producing 60 percent of the volume of industrial output—there is no such acuteness in matters of comparability of compared ranges and in the determination of control objects for comparison with the sampling population of the objects of study as was in 1987. In essence, with the expansion of the scale of self-financing two approximately the same ranges, in practice, adequate both in the structure and scale of production, but operating under different conditions of management, have been formed in industry. With the expansion in scale the purity of the experiment (the performed perfection of the fundamentally new mechanism of management can be included with good reason in a large-scale economic experiment) has increased manifold. The parity of relations of all the participants in the "producer-consumer" chain has increased and the same "rules of the game" are beginning to operate for them, which did not exist in 1987. As of 1989 the overwhelming part of the industry will change over to self-financing conditions.

However, new problems of comparability connected with the existence of internal distinctions in the economic mechanism of the first and the second khozraschet model arise. As noted above, under the second model based on a normative distribution of enterprise income the traditional concepts of production costs and profit are not retained and the structure of funds used for wages changes. Accordingly, without the application of special calculations it is impossible to determine the profitability of output and the structure of expenditures on production and to ensure consolidated elaborations under conditions when the sector's enterprises apply different khozraschet models. Examining the schematic

diagrams of the first and the second khozraschet model, one can become convinced that it is possible to reduce the actual values of indicators to comparable ones.

If we perform a calculation, placing data based on the conditions of the two khozraschet models in diagrams, all other initial conditions being equal (to simplify the calculation, it is assumed that the interest on short-term credit is not paid and that there is no unplanned income and expenditure in the form of sums of received and paid fines and economic sanctions), we will obtain the following results (thousand rubles):

	Khozraschet model based on normative distribution	
	of profit	of income
1. Proceeds from sale	11767	11767
2. Production costs of output— total	9870	-
including:		
—2.1. material expenditures	8390	8390
—2.2. wages	1480	-
3. Profit	1897	-
4. Payment for productive capital	247	247
5. Payment for labor resources	40	40
6. Calculated profit (3-4-5)	1610	-
7. Deductions into the state budget (including local)	120	120
8. Deductions into the mini- stry's centralized funds and reserves	231	231
9. Profit left at the enterprise's disposal (residual profit) (6-7-8)	1259	-
10. The collective's khozraschet income (1-2.1-4-5-7-8)	-	2739
11. Assigned according to nor- matives in relation to profit (income):		
—11.1. into the fund for the development of production, sci- ence, and technology	615	615
—11.2. into the social develop- ment fund	412	412
—11.3. into the material incen- tive fund	232	-
12. Balance of khozraschet income (the wage fund): 10-11.1.-11.2)	-	1712
Reference:		
Khozraschet income of the col- lective using the khozraschet model based on a normative profit distribution: 2.2.+11.1.+11.2.+11.3	2739	-

Thus, other conditions being equal, the collective's khozraschet income both under the first and the second khozraschet model is expressed by the same amount—2,739,000 rubles.

If there were the task of bringing to comparable conditions the indicators of the first khozraschet model in relation to the indicators of the model based on a

normative income distribution, this would be solved by summing up the wage fund and the material incentive fund. The reverse task is more complex. The difficulties lie in the fact that the "net" wage fund necessary for the calculation of production costs, the structure of expenditures on production, and so forth in consolidated elaborations should be separated from the balance of khozraschet income (the wage fund).

This task can be accomplished in the following manner: The total sum of the wage fund should be put down to production costs of output. In this case the calculation makes it possible to obtain data with a predetermined tolerance. This can ensure the calculation of time series without the introduction of some additional reporting, not forcing enterprises to keep parallel bookkeeping. As calculations show, the error in the calculation of the structure of expenditures per ruble of output makes up 1.5 to 2.2 percent and in the calculation of dynamics hardly affects data.

Proceeding from this, the letter No 10-1/255 dated 31 March 1988 of Gosplan SSSR, the USSR Ministry of Finance, and Goskomstat SSSR envisages the following procedure of calculating the dynamics of expenditures per ruble of output:

"3. When determining the dynamics of expenditures per ruble of output (jobs and services), for the purpose of ensuring the comparability of the period under review in the current year with the corresponding period of last year, during the first year of transition to the indicated khozraschet form enterprises increase the actual production costs of the corresponding period of last year by the material incentive fund calculated during this period."

Thus, one of the tasks connected with the formation of time series under the second khozraschet model is solved without the introduction of any additional reporting.

The restructuring of economic management on the basis of self-management of the basic production link and the transition to primarily economic methods of managing its activity change fundamentally the traditional approach to the improvement in the forms of statistical reporting, in which changes were considered basically from the following point of view: Does this increase the volume of reporting or not. Under the conditions of operation of the USSR Law on the State Enterprise (Association) the changes made in statistical reporting forms should be considered primarily from the standpoint of the legal status of enterprises: Does a certain indicator not contradict the principles of management based on self-management of the basic production link of the national economy. Not only the indicator's economic essence, but also the periodicity of its presentation and the comparison base (planning indicators or indicators of the preceding period) stimulating the direction in mutual coordination with other indicators, should be considered from this point of view. That is, determining what state statistical reporting should

record—dynamics (as the characteristics of quantitative or qualitative changes), statistics (as the characteristics of the scale of a phenomenon), or comparison with the plan—it is necessary to change from the prerequisites for

the consideration “can we introduce an indicator or not” to the principle “do we have the right or not.”

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AGRO-ECONOMICS, POLICY, ORGANIZATION

Discussion of Land Leasing Participants' Rights in New Programs

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10 Nov 88 p 2

[Article by M. Korobeynikov, senior scientific worker at the Academy of Social Sciences of the CC CPSU: "Operational Control"]

[Text] As emphasized during the 19th All-Union Conference of the CPSU, the conditions required for the general conversion of kolkhozes and sovkhozes over to the new managerial principles are available throughout the country at the present time and all obstacles standing in the way of this action—in the various areas and in the center—must be eliminated.

But this requires complete clarity of purpose: what will the agrarian policy for the future be like? The impending plenum of the CC CPSU must form a concept for the party's new agrarian policy which will promote the efficient use of the entire labor, logistical and financial potential and return the working man to the land as a fully competent and highly valued master.

The preparations for the plenum have commenced. This is borne out by increased activity in the press, in the party organizations in the various areas and throughout the party as a whole. And it is interesting to note that the CC CPSU is carrying out this work while consulting with the masses and with people who are competent and interested in the development of the APK [agro-industrial complex]. And success always attends a policy developed by the masses "from below." A large step was taken in solving this problem during a recent meeting in the CC CPSU, during which an objective and interesting discussion took place on the methods for reorganizing economic relationships in rural areas based upon the development of leases. Unfortunately, lease relationships have been prohibited for many years. Scientists and practical workers are once again returning to the last works of V.I. Lenin in which, upon noticing the colossal difficulties being encountered by socialism, he proposed the use of forms which were somewhat "alien" to socialism proper. Vladimir Ilich believed that in the creation of a new world "we would have to finish, alter and commence our work from the beginning on more than one occasion." Today there remains much for us to interpret and at times to reinterpret anew, based mainly upon our rich Marxist-Leninist legacy and also upon objective theoretical and practical experience. There is reason for returning to the works of scientists of the 1920's through the 1950's and particularly to the works of A.V. Chayanov—an active participant in the cooperative movement. Many of his thoughts are in keeping with today's requirements.

Lease relationships constitute an extremely effective form for raising the material interest and economic responsibility of workers for their final results. These relationships form a mechanism for economic responsibility. The means of production are assigned to a collective for a definite period of time. And thus public property receives a direct master who exercises his right as an owner and user of property. In this manner the principal production relationship—the relationship towards property—is realized most effectively. At the same time, a combination of public, collective and personal interests is achieved.

Collectives which operate in accordance with the principle of a lease contract are found today in practically all regions of our country. The experience accumulated in the use of lease relationships is still negligible, since such collectives are relatively few in number and have been in operation for not more than 2 years. However, in those areas where they have been created, labor productivity has increased by a factor of 2-3, wages have been raised by more than two thirds and an increase has taken place in the responsibility being displayed by workers for the results of their labor.

Interesting operational experience in the introduction of lease contracts has been accumulated at the Sovkhoz imeni 60th Anniversary of the USSR in Federovskiy Rayon in Kustanay Oblast. In essence, this is the same collective contract the payment for which is formed from gross income. The only difference is the fact that sales and purchases are becoming the basic principle for the interrelationships between a worker collective and an administration. A collective produces the product and sells it to the sovkhoz.

Three types of intra-organizational prices have been developed here. These are planned computed prices, on the basis of which a subunit acquires commodity stocks from a farm; accounting prices which are used by a collective for selling the products produced. In order to interest workers in quality, consideration is also given to planned sales prices, on the basis of which a sovkhoz sells products to the state. An accounting price is raised or lowered depending upon fluctuations in the sales price. During a final computation, 70 percent of the value of the material resources saved is included in the bonus fund.

During the first stage in the formation of economic thought in workers, a definite role is played by intra-sovkhoz money for mutual accounts. This is not checks which are found only among the leaders, but rather they are real and tangible banknotes. The more economically a worker performs, the more sovkhoz money he will have at the end of the year. This money can subsequently be exchanged through the sovkhoz treasury for genuine banknotes.

Certainly, intra-sovkhoz money simplifies accounting and yet the role played by such money should not be exaggerated. It is still the result of serious deficiencies in the existing credit-monetary system. And the agroprombank must furnish assistance to the farms in organizing in a professional manner their accounting and control and the formation of a system of mutual accounts.

The principal factor for normalizing the economies of farms in Volgograd Oblast is quite properly considered to be the extensive use of lease contracts. The conversion over to this progressive form for labor organization is being carried out taking into account the individual peculiarities of each farm. Tense economic training is being carried out during the preparatory period which necessarily precedes the introduction of lease relationships.

At the present time, wages based upon gross income have been introduced into operations at more than 300 of the 481 farms in the oblast. Seventy six farms have converted over fully to lease contracts. The Zybino Sovkhoz in Yasnogorskiy Rayon in Tula Oblast has been operating on the basis of a lease contract since 1986. Here the interrelationships between the farm's subunits and the administration are also based upon sales and purchase arrangements. Over the past 2 years, labor productivity has increased by 20 percent.

Lease contracts are being employed more extensively throughout the nonchernozem zone. For example, approximately 1,000 collectives in Orel Oblast and 150 in Pskov Oblast are operating on the basis of lease contracts.

Lease contracts are being developed in Stavropol Kray. Work directed towards the extensive introduction of intra-organizational accounting based upon lease contracts is being carried out at all kolkhozes and sovkhozes in Ananasevskiy Rayon, at the Zakubanskiy Sovkhoz in Kochubeyevskiy Rayon and on a number of other farms.

Unfortunately, the organs of USSR Goskomstat [State Committee for Statistics] are still not providing us with any information on the dynamics of those processes which describe the development of the lease forms for labor organization. There are no official statistics on this subject and USSR Goskomstat still lacks a method for handling this problem. A need exists here for radical restructuring, since a lack of knowledge of the true situation precludes the possibility of scientifically analyzing the status of leases in the rural areas. The reliability of current statistics on lease relationships is very doubtful.

According to data provided by Gosagroprom [State Agro-Industrial Committee], approximately 1.5 million collectives in crop husbandry are presently operating on the basis of family or individual contracts. Roughly 2.2 million hectares of land are assigned to them and this

constitutes approximately one percent of the entire area of arable land. In animal husbandry, family contracts are being employed by 570,000 families, with services being provided for 2.6 million head of cattle, 1 million hogs and 28 million sheep. Their proportion of the overall production volume for animal husbandry products is less than 2 percent.

As you can see, the various forms for a collective contract have just begun to make their presence known. And their establishment and further development will require a great amount of effort. Initial experience is still always very valuable and it should be publicized in a purposeful manner.

What is hindering the introduction of lease contracts on an extensive scale today? There are many reasons for this and they were revealed during a meeting held in the CC CPSU with leaseholders, leaders, specialists and party workers. In our opinion, they include problems which require priority solutions. There is the absence of a legislative basis for the development of lease relationships in the country's agro-industrial complex. Despite a certain amount of risk and fear, a worker leases means of production costing a considerable amount. And naturally, he must have real guarantees for stability in these relationships. He must know how the law protects his rights. He must possess some idea as to the extent of his own responsibility and the responsibility of the farm administration for violations of the contractual obligations. As yet, existing legislation is not furnishing any answers for these questions.

Moreover, the Principles of Land Legislation for the USSR and Union Republics still contain an article which prohibits the leasing of land and persons guilty of violating this article can be held criminally and administratively responsible. The time is obviously at hand for correcting this mistake and, without waiting for the issuing of new laws governing the use of land and leases, to halt the action of old laws and the numerous departmental circulars and to eliminate the dual status of both a lessor and a lessee.

Many decisions must be handed down in order to ensure that lease relationships become the principal form for intra-organizational cost accounting. A mechanism for the introduction of leases and a technology for expanding their use are needed.

To a certain degree, recommendations developed by USSR Gosagroprom and VASKhNIL [All-Union Academy of Agricultural Sciences imeni V.I. Lenin] are temporarily satisfying this requirement. Unfortunately however, some of them became obsolete even before being implemented. Moreover, they are not mandatory in nature. In addition, historically our practical workers have adopted a negative attitude towards such recommendations. A clear and intelligible document is required for everyone, one which defines the rights and responsibilities, possesses the force of law and defines

the economic and legal relationships. The adoption of the new Law Governing Land Utilization and the Law Governing Leases must be accelerated. The time is at hand for answering the question regarding the lease periods, especially the lease periods for land as the principal means of production for agricultural products.

Short term leases can hardly be justified. They generally result in the predatory use of land. In order to ensure a proper crop rotation system out on the fields and efficient management, a lease period must not be less than 15-20 years.

Today the kolkhozes and sovkhozes are using their lands on an indefinite and free of charge basis. The fact that such use is indefinite is correct. But considerable doubt exists as to whether or not it should be free of charge. Is this not why all of our problems have brought about a stagnation in agricultural production? Payments must be made for the use of land. Such payments serve to instill economic reflection among the workers and they create an economic mechanism for responsibility for efficient use of the land.

Considerable discussion is taking place today over the use of leases as a mass form for labor organization. It would hardly be correct to discuss the extensive use of leases throughout the country's APK. Rather, it would be more correct to raise the question of the diverse forms for labor organization, while taking into account the diverse natural-climatic, economic, logistical and demographic conditions of our immense country.

Readers' Queries Concerning Price Reform Answered

18240022 Moscow SELSKAYA ZHIZN in Russian
30 Oct 88 p 3

[Interview with V. Kufakov, first deputy chief of the Consolidated Economic Department of Price Setting in the APK [Agroindustrial Complex] of the USSR State Committee on Prices, by SELSKAYA ZHIZN correspondent A. Morgachev under the rubric "A Timely Interview": "Prices: Is There a Choice?"]

[Text] Correspondent: There is a lot of discussion in the countryside about an increase in prices. Supposedly building materials, furniture and television sets are becoming more expensive and someone allegedly has seen paperwork on this. Readers are upset: why in the era of glasnost do we find out about prices from rumors as before? They are indignant: soap costs a ruble, shashlik 5 rubles, a suit costs 200 and a coat costs 500 rubles! We have been surrounded on all sides by groups and units that require payment, high-class tailor shops, and cost accounting polyclinics and cooperatives are taking our hard-earned money with a kind of hasty fervor—we have been freed now, they say, and we must rake it in...

We come across thoughtful letters: we realize that the country is in a crucial stage, that the old economic mechanism has not been broken up, that the new one has not been built, and that this is the reason for the costs we have to pay. However, is it necessary to raise the prices for the most essential commodities?

V. Kufakov: A program has been worked out in the country to carry out a radical economic reform. It provides for the restructuring of planning, the financial and credit system, material and technical supply, and other important aspects of economic operation. Essentially, this involves the development of a new model for management, not for raising prices. The rumors you mentioned are no more than rumors. No specific decisions have been made on increasing retail prices. A revision of wholesale prices as the basis for these prices is in full swing. But the proposals to change purchase and retail prices are still in the preparation stage. Moreover, new prices are not even in the plans for the group of nonfood industrial commodities and domestic, municipal and transportation services. As repeatedly emphasized, proposals are being worked out only for new prices for food products. The basis of restructuring the price system is bringing them closer to expenditures that are publicly necessary, to the actual cost. The prices for meat, milk and bread that have been unchanged since the 1950's and 1960's have lost their cost justification to a large extent and have become an obstacle to increasing the production, sharply broadening the assortment, and improving the quality of products.

[Correspondent] To put it more simply, the kolkhozes and sovkhozes are producing an expensive product and the store price does not cover their expenses. The Goskomtsen [State Committee on Prices] proposes that retail prices for foodstuffs be raised so that this difference is paid by the customers, not the state with its subsidies. Many are astonished by the situation, judging from the letters. The people write: we have begun criticizing Stalin's time, but meat was only a ruble and a few kopecks at then, after all. It wouldn't be bad to return to those prices.

[V. Kufakov] We will never return to those prices. At that time the peasants were receiving practically no payment at all and the purchase prices for their products were meager: 1 kopeck for a kilogram of grain, for example. Naturally, any retail price covered such purchase prices with interest. But now, when we are beginning to count actual expenses, we see another picture: the purchase prices have become higher than the retail prices.

The state subsidies for foodstuffs have reached huge dimensions. In many respects this is paralyzing the entire economic mechanism. If we do not set normal prices for foodstuffs today, it is no use thinking about a radical economic reform.

[Correspondent] But will we succeed in balancing prices with expenditures this way? It costs one sovkhov a ruble to produce a kilogram of beef, but it costs another one 7 to 10 rubles. Whose expenses should be considered socially necessary? And what proportion of these expenses is for agriculture and what proportion is for industry, which supplies it with the equipment and fertilizer which are becoming more and more expensive?

[V. Kufakov]: Yes, if all the expenses for an agricultural product are taken as 100 percent, the apportionment will be as follows: 33 percent for wages, a little over 23 percent for seeds and fodder, and the remainder for industrial expenses. You are right: one of the most important resources for reducing the production cost of agricultural products is in the area of production of capital goods for the countryside. I think that with the shift to wholesale trade in these goods and the development of healthy competition among producer enterprises, we will succeed in making both equipment and other production resources less expensive.

Can the production cost of agricultural production be reduced in the near future so that we can manage without increasing retail prices, as the authors of a number of articles suggest? Many readers are captivated by such an idea. But experience shows that it is not practical and that the people are being misinformed by such incompetent suggestions.

Even at production facilities that are technologically the most modern, such as livestock raising complexes for fattening cattle and pigs, for example, the expenses are over twice as high as the current retail prices. A significant positive gain is provided by the collectives that operate under a family and brigade contracts. But their expenses are high as well. According to data from the USSR Gosagroprom [State Agroindustrial Committee], the "peasant from Arkhangelsk," N. S. Sivkov, who sets an example of efficient work, receives wages of 1 ruble 62 kopecks for a kilogram of additional weight, or as counted for meat—more than 3 rubles per kilogram.

[Correspondent] All right, let us assume that the purchase price for meat will be raised. Those farms which pay 7 to 10 rubles will still be operating at a loss, so does this mean that the state subsidies will have to be retained?

[V. Kufakov] The purchase price is not a panacea, of course. In my view, a radical improvement in economic relationships in the countryside, which will reactivate the proprietor on the land, is the determining factor. So the new system of purchase prices will become only one of the most important parts of the mechanism for economic operation which is being developed, a new model of it.

And in general this does not involve a simple change in prices, but a reform of price setting as a whole. That is, the procedure for setting prices itself will be changed. It

is planned to establish a flexible, dynamic system which combines centralized price setting with extension of the rights of farms and local organs. The prices set centrally will begin to be applied only when calculations are made for products delivered for state orders, and the volumes will be gradually decreased. Prices for the rest of the products will be set by local organs. The rights of kolkhozes, sovkhovs, and agroindustrial units to set prices for potatoes, fruit, vegetables and other types of products will be extended as well.

[Correspondent] It is common knowledge that the economy is unable to be obsequious and that it has its own strict laws. Many fear—and apparently not without justification—that an increase in state retail prices will lead right away to rising prices in the market and that members of cooperatives and kolkhozes and sovkhovs trading independently will raise their prices. But after all, we must realize that not everyone can afford to eat well today, either. Here is an example. A. Kolomeyets writes us from the village of Novopokrovka in Maritime Kray: "They say that products will be more expensive. How much more? It costs us 5 rubles and 20 kopecks for a kilogram of meat and 3 rubles and 67 kopecks for a kilogram of sour cream in the cooperative. A leg of beef costs a ruble per kilogram. I have three children, and the husband alone is working. Each member of the family costs 40 to 47 rubles per month. We could not live in the city on such money, and we moved to the country. But now ask my children if they see any cutlets or meat dumplings. They reassure us that there will be compensation. Maybe they will pay for a year or two, but in kopecks, after all..."

[V. Kufakov] First of all, a change is planned only for the state retail prices. As far as the prices of consumer cooperatives which A. Kolomeyets writes about are concerned, they are taking the socially necessary labor inputs into account more objectively today. The state retail prices may be moved closer to them, obviously.

Secondly, compensation is being provided for, but not in kopecks for a year or two by any means, as the letter's author assumes, but continuously. The entire population should receive compensation: workers and employees, pensioners, students, those studying in *tekhnikums*, PTUs [vocational and technical schools], and so forth. Compensation is being planned for children as well. The amount of the payments will depend on the level approved for the new prices and the actual per capita food consumption that is calculated. The main principle in compensation is that the funds gained from increasing retail prices are to be given back to the people in full, right down to the kopeck. The forms of compensation are being worked out and the alternatives will be presented for national discussion at the same time that the draft of the new price level is submitted. In the third place, I want to emphasize that in the Maritime Kray, as in other regions of the country, the development of a wayside inn [*podvorye*] is being encouraged in every way possible. It can help out the family budget.

[Correspondent] Compensation for the entire population—frankly speaking, this is news. Until now only additional payments for needy families have been mentioned. Where are such changes coming from? There is a creeping suspicion: are there reliable calculations under all this or is it “an experiment in progress” again? Many question whether the authorities will be able to distribute these compensations fairly. Everyone has become accustomed to the difference in wages and wage rates and salaries have been stabilized. But what is the principle used in dividing the additional compensation payments? One person earns little because he cannot earn more, but another person is simply lazy and clumsy. We can imagine how many will be offended: they didn’t give that one enough, but they didn’t give this one what he deserved!

[V. Kufakov] There are many questions here, of course, and it was decided for this reason to submit the draft for national discussion in order to take all the nuances of the problem into account and to resolve it with as fairly as possible.

Commentary by the Social Development Department

There is hardly any point in discussing a document which is not even in rough draft yet. Let us wait and read it, and then we will talk about it. But here is the question: what do they suggest that we discuss? How and how much to raise prices, and how to distribute the monetary compensations? That is, it turns out that the increase in prices has already been decided in principle. Moreover, it turns out that a “revision of wholesale prices as the basis for all prices is in full swing.” Neither the Goskomtsen nor anyone else plans any other alternative. Just what is it that we will be discussing, we ask. But perhaps the public will not approve the plan proposed or deputies in the Supreme Soviet will reject it? What then, put off the start of the economic reform for another 2 or 3 years?

The State Committee on Prices assesses the level of newspaper and journal discussion on this topic skeptically. Freedom for the free, as they say. However, those on the committee should note that their methods are being called into question not only and not so much by journalists as by economists with doctorates and candidate degrees. And the alternatives being proposed in the course of the argumentation do not look so hopeless.

The concept which justifies an increase in prices is based on the assumption that low purchase prices are the basic reason for agriculture’s economic ill health and that the current level of expenditures to produce agricultural products is socially necessary. Where, when, and by whom has this been proved? It is doubtful that the argumentation being conducted by the Goskomtsen specialists can lay claim to being absolutely correct. It is interesting to reread the materials from the recent All-Union Kolkhoz Farmers Congress: were there complaints from the rostrum about the low purchase prices? No, there were none. What nearly every speaker was

alarmed about were the unrestrained, uncontrolled price increases for equipment, building materials, and chemical preparations. Why not propose that the state use its subsidies to support the industry that supplies the countryside, not to support agriculture? And there are no apparent grounds for assuming that they will succeed in stopping the increase in the production cost of fodder-harvesting combines after raising the prices for meat. Everything is tied with the same string in the national economy, and it is more logical to expect that an increase in prices for one product will provoke an increase in all the other prices. Generally speaking, the tendency to plan prices based on expenses puts us on the alert. The economic spending mechanism which we plan to do away with once and for all is also based on this, after all.

It is also incomprehensible why an increase in prices for one group of commodities without a decrease in prices for another group is called by the scientific word “reform.” What is reformative here? Prices will slowly increase without any reforms, too. Turning this process backwards—a reform is really needed for this.

It probably would not be worthwhile to brush aside the arguments of those who suggest that the economy be reformed without raising prices. The state could restrict itself in some expenditures. Huge amounts of capital are withdrawn from circulation as before at the many construction sites that are doomed beforehand to be built over a long period of time. Waiting a little with certain land reclamation projects whose effectiveness is difficult to predict is pardonable. But what savings can be achieved by cutting back the output and increasing the reliability of tractors and combines! It would be good to turn the funds saved into commodities needed by the people and to restore the ruble in price and give full range to cost accounting, which will set a fitting price for every commodity very soon without our help.

To put it briefly, we would like to have at least two plans for reforming prices: with an increase and without one. So that there is something to choose. A selection without a choice—we know what this is...

International Exchange Vital for Production Improvement

18240021 Moscow PRAVDA in Russian 9 Oct 88 p 2

[Article by L. Yerminev, first deputy chairman of the RSFSR Council of Ministers and chairman of the RSFSR Gosagroprom [State Agroindustrial Committee]: “Learning to Trade Means Increasing the Effectiveness of the RSFSR Gosagroprom’s Foreign Economic Ties”; first paragraph is source introduction]

[Text] At the 19th All-Union Party Conference, the food problem was called the most critical sore point in the life of our society. The quickest way to resolve it was also pointed out. That is by determining every potential of the kolkhozes and sovkhozes, developing diverse forms of contracting and leasing, and establishing a broad network

of cooperatives. It was considered advisable to undertake restructuring of the organizational structures of management at the center and locally, as well as the system of foreign economic ties.

Mutually advantageous trade and the exchange of scientific and technical achievements, cultural values, and other forms of cooperation do not separate people but bring them together, increase mutual trust between countries and peoples, and accelerate scientific and technical progress.

Comprehensive special-purpose programs, including the Food Program, are providing for expansion of trade and economic and scientific and technical cooperation within the CEMA framework, as well as with the enterprises, firms and institutions of capitalist and developing countries. The new legislation adopted last year also contributes to reinforcement of foreign economic ties. It removed many restrictions and opened a path of integration among the agroprom [agroindustrial complex] sectors. However, the current level of production and consumption of basic food products still does not meet the population's requirements. The processing of raw material has been poorly organized. Much of it is being lost because of obsolete production technologies and during transportation and storage. The situation here can also be corrected quickly through significant expansion of foreign economic ties. Why invent what is already well known? International cooperation is utilized extensively in world practice. But we are taking the first steps here now.

There is scientific and technical cooperation between our organizations and enterprises and nearly all socialist countries and it is being conducted actively with 11 capitalist countries. With Czechoslovakia, Hungary, Yugoslavia, Canada and Japan, for example, on the basis of interdepartmental agreements. Such an agreement was signed recently between the RSFSR Gosagroprom and the Ministry of Environmental Protection, Land Management and Agriculture of the largest state in the FRG, North Rhine-Westphalia.

At the end of last year a group of specialists and I had occasion to visit there and familiarize ourselves with the agroindustrial complex activity, the new technologies, and with the organization of cooperative ties.

Major investments in the food industry are making it possible here to involve practically all agricultural raw material in processing and to obtain more output, a

broad assortment and better quality. Consumer demands are being met more fully and the earnings from sales turn out to be quite high. We were convinced of this at the (Stokmeier) firm, the largest in the FRG. They turn out about 100 tons of different sausage products under 500 names here every day. And production is modernized not by building new enterprises, but chiefly by renovation. This is many times less expensive.

Our many-sided ties with the state of North Rhine-Westphalia are already visibly yielding fruit. In Lipetsk Oblast, we are testing intensive technologies in growing wheat, corn, spring rape and potatoes jointly with the Bayer firm. Thus, the crop of winter wheat was in excess of 60 quintals per hectare and the crop of corn with ears in the wax stage of ripeness totaled 300 quintals per hectare on experimental farms over the past 3 years. And the intensive plantings of winter wheat in the oblast as a whole now have reached an average of 33 quintals of grain, which is 15 quintals above the usual amount.

Ties with the Anton (Olert) and TAG firms are being developed fruitfully. A large plant to produce granulated potato is being built in Bryansk Oblast. Contracts have been concluded with a number of firms for the delivery of production lines for meat, dairy and food industry enterprises.

This collaboration is being carried out on a mutually advantageous basis. Enterprises in the RSFSR Gosagroprom have delivered various commodities valued at over 12 million rubles to the FRG in just the past year, for example. They include pedigreed and race horses, virgin wool, seeds for woody shrub crops, technical casein, champagne, liqueur and vodka products, by-products, furs and hides, and wood products.

We have an arrangement with firms in Switzerland, Austria, Italy, Canada, Sweden and the United States to establish a number of joint ventures here to process hides and furs and to produce machine tools and equipment for seed plants, fruit and vegetable juices, and other commodities that meet world standards.

The Soviet-Swedish-Brazilian "Progress" enterprise will be turning out fruit and vegetable juices and beverages in Lipetsk Oblast, the Soviet-British ("Plembrid") enterprise will raise purebred downy goats in Altay Kray, and the Soviet-Canadian ("Rosalta") enterprise will raise Holstein cattle on the pedigreed stock farm of the Kolkhoz imeni Lenin in Tula Oblast.

We are also conducting joint experiments associated with the introduction of intensive technologies in cultivating rice with the Mitsubishi firm (Japan), fodder crops with the ("Kemira") firm (Finland), and seed growing and agricultural technology to start a rape crop with the firm ("V. Veybull A. B.") (Sweden). Soviet-American scientific and technical cooperation is also

being extended in the field of breeding, genetic engineering, and information science, and in developing joint processing ventures and conducting scientific and production fieldwork.

Mutually advantageous collaboration is also being organized with Japan. Its business circles have expressed readiness to grant credits for developing our country's agroindustrial complex, especially in areas in Siberia and the Far East.

Coordination of the foreign economic activity of agroindustrial enterprises and organizations is becoming more and more urgent at present. The RSFSR Council of Ministers has supported the proposal made by the "Stavropolskoye" Broiler Association and the "Kuban" and "Ramenskiy" Agroindustrial Combines to establish an agroindustrial consortium for this purpose. Each of these combines can now conclude contracts with foreign firms for the delivery of products and to introduce progressive technologies and exchange advanced work experience.

As we see, cooperation is being developed in breadth and depth. But it is not meeting the potential opportunities yet. Not everyone abroad regards our proposals equally. Only if they seem to be advantageous. Our state is also exempting imported equipment from the payment of customs duties and a tax is not imposed on profit acquired by joint ventures in the first 2 years of operation.

Other firm owners distrust the new forms of collaboration with us because, they say, it is difficult for the two forms of ownership to interact in a system of centralized planning. We have to patiently explain to future partners that mixed enterprises are operating under the principles of full economic independence—cost accounting, self-support and self-financing, and that the state does not interfere in their activity.

It is obvious that we lag behind in expanding exports. As before, raw material resources predominate in the export structure, and we are offering very few good finished products. Local agroindustrial organs, as well as the main administrations of the republic Gosagroprom's central organization, have not been properly included in this work. Bureaucratic obstacles have not been eliminated yet in drawing up documents related to official business trips to capitalist countries. That is why nearly 10 times fewer specialists have visited from our side than the number that have come here.

Relations with the socialist countries are being developed more successfully. Sixty protocols and agreements have been signed and are in effect.

Our collaboration with Hungary, for example, is distinguished by the large amount of planning. Two joint associations were established last year and are operating successfully. One of them—the "Nartan"—is engaged in breeding and seed production for early-ripening and

middle-early corn hybrids organized at the All-Russian NII [Scientific Research Institute] for Corn. The second one—the "Sodruzhestvo"—produces broilers. It is represented on the Soviet side by the "Stavropolskoye" Association and on the Hungarian side by the largest agricultural combine, the ("Babolna").

What led to the establishment of these associations? First of all, the opportunity emerged to cultivate corn in accordance with grain technology in the Nonchernozem, Ural, Siberian, and Far Eastern regions and to obtain more valuable fodder here. Secondly, to fatten 15 million broiler chicks every year at minimum expense. Negotiations are under way with organizations and firms in Yugoslavia, Czechoslovakia, Poland, Hungary and Bulgaria.

Nevertheless, we have not managed to substantially increase the effectiveness of foreign economic ties with countries in the socialist community. In particular, the work to directly involve enterprises and organizations in our system in direct cooperative ties is not going well. Scientific support for joint operations and experiments and recommendations for introducing advanced experience under local conditions have not been properly organized. And we have not gotten rid of the practice of letting many reports and inquiries about business trips abroad, which contain valuable information and suggestions, gather dust on the shelves.

Sometimes the vast funds which the state allocates for the purchase of different imported commodities are not utilized wisely. The amount of equipment that is not being installed does not decrease from year to year. This is explained largely by the lack of long-term planning for import deliveries, the ill-timed planning and surveying work and planning estimates, the time lag in building projects, and the inferior skill of the specialists operating the equipment.

We have to speed up the development of exports, increase the technical level and competitiveness of our products, and shift to economic methods of management. We have decided to stimulate the sale of our licenses abroad. Then we will have the opportunity to increase imports of modern machinery, equipment, and other commodities with our own foreign exchange assets. We must expand direct ties and reinforce contract discipline. In other words, we must learn how to trade, to conduct all foreign economic operations on a larger scale at a higher professional level. After all, foreign economic ties are the most important lever for accelerating scientific and technical progress and solving the food problem.

LIVESTOCK AND FEED PROCUREMENT

Progress, Problems in Poultry Sector Reviewed

Mismanagement in Belorussian Ptitseprom

18240094 Minsk SELSKAYA GAZETA in Russian
14 Jun 88 pp 2-3

[Article by L. Kolbasko, special correspondent of SELSKAYA GAZETA: "On Various Shores"]

[Text]

Why the Anniversary Is Joyless

For a long time somehow it was customary that, if the conversation turned to the Ptitseprom [Poultry Breeding Industry Administration], without fail it was in positive terms. Reports on a prescheduled fulfillment of plans and obligations by poultry farms appeared on newspaper pages, radio, and television. Even the beginning of this year did not evoke an alarm. The plan for all indicators was again fulfilled, as always, slightly ahead of schedule. However, perhaps, for the first time during the period of its existence the Ptitseprom suddenly began to be subjected to criticism. It was heard from the tribune of the Plenum of the Communist Party of Belorussia Central Committee and then at the Bureau of the Central Committee. A very serious conclusion was drawn: The development of the meat sector of poultry breeding was unjustifiably held back in the republic.

Well, what of that? Our time is characterized by a fundamental analysis of the traditional and the established. The perspective gradually changes and often it turns out that not everything that glitters is gold. Perhaps this also applies to the Ptitseprom? It was going and going and then stopped. We shall try to look at the root of the problems.

First, the position of the BSSR Gosagroprom would be interesting here. How does the Ptitseprom look in relation to other sectors? After all, modern accounting makes it possible to compare phenomena sufficiently removed from each other according to such indicators as production costs, profitability, labor and feed expenditures per unit of output in relation to the normative, and so forth.

Strange as it may seem, neither the Main Animal Husbandry Administration, which directly supervises management, nor the economic service of the former Ministry of Agriculture, now of the Gosagroprom, conducted a profound economic analysis of its economic activity even once. They limited themselves to one sphere of influence: To give or not to give an extra ton of feed, to allocate or not to allocate capital investments.

A comparative analysis is interesting. For example, about 3 quintals of feed units per quintal of weight gain in poultry are expended on all categories of farms in our republic; 7 or 8, per quintal of pork and 12.5, of beef. The same applies to labor expenditures. A total of 2 man-hours per quintal of weight gain are spent in poultry breeding, 19.9, in hog breeding, and 34.2, in cattle breeding.

These comparisons were cited at the 9th Plenum of the CPBe Central Committee. The opinion of the agroprom's managerial personnel attributing the unjustified deceleration in the development of the meat sector of poultry breeding to the shortage of mixed feed and lack of capital investments was considered erroneous.

Thus, did the Ptitseprom come to a halt itself, or was it halted? Did this happen consciously or accidentally? A detailed answer to these problems is needed today.

First of all, however, let us glance at the 1960's. They were the beginning of the Ptitseprom. At that time freely sold poultry and eggs were extremely scarce on store counters. Their appearance created lines—a graphic indicator of unsatisfactory customer demand. It is not complicated to explain the increased interest in these products. First, they have always been considered dietetic and choice products. At that time the public sector produced only 213 million eggs and 9,000 tons of poultry meat annually, which totaled about 25 eggs and about 1 kg of meat per capita in the republic respectively. You will agree that this was not much if it is taken into account that a scientifically substantiated norm presupposes an annual average per-capita consumption of 320 eggs and 16 kg of poultry meat.

Now the situation is different. Meat departments of stores almost always have poultry carcasses and trays with eggs. The customer seemingly should be satisfied with such a situation. In fact, however, this is not so. Today the consumer makes serious and quite valid claims against poultry breeders. He does not like thin-legged cyanotic chickens frozen in refrigerators even if they cost 1 ruble 60 kopecks per kg. (Incidentally, during the 1960's this was the going price of a chicken). Now we more often encounter 2 rubles 50 kopecks and 3 rubles 20 kopecks. True, the price list has an explanation: the first poultry category. This flatters us, customers. Nevertheless, the price is exorbitant, especially as chicks costing 2 rubles 20 kopecks, which are not inferior but better than those whose category is higher, appear on the counter from time to time. In brief, the consumer makes his demands, which cannot be ignored today.

Under the Wing of Ptitseprom

How does the Ptitseprom itself evaluate the state of affairs in its firm? How does it see the existing interrelationships with the market and directly with the consumers of its products?

Our conversation with Nikolay Vasilyevich Belyasov, chief of the Ptitseprom, begins with these questions.

"First," he corrected me, "we are not directly connected with consumers, but deliver our products to the trade network. Second, the Ptitseprom is not a firm. This is said too loudly. The Ptitseprom is only an administration and a structural subdivision of the Main Animal Husbandry Administration of the BSSR Gosagroprom. And nothing else."

Indeed, the new concept of "socialist agrofirma" is now becoming fashionable and popular, but, I dare say, is inapplicable to a subdivision receiving 229 million rubles of net profit annually. To this day, however, the Ptitseprom does not have economic independence. A

total of 70 percent of this amount goes to the Gosagroprom's centralized fund. There it is decided how much mixed feed and capital should be allocated to the Ptitseprom for construction, reconstruction, installation work, and the purchase of equipment.

This is truly "fatherly" concern for the 25-year old "baby," who has long outgrown his short pants.

Nevertheless, the Ptitseprom has its autonomy. And not only because, for example, in the Gosagroprom directory it is recorded not under the Main Animal Husbandry Administration, but among other Gosagroprom organizations, in the same row with tobacco and confectionery factories and sugar plants. It has independence in the solution of its internal problems, that is, concerning selection, feeding, labor organization, and technology. However, as soon as it is a matter of "external" interrelations the Ptitseprom is unable to function. Without its guardian—the Gosagroprom—it cannot take a step.

Let us take the following matter. The only plant of its kind for the manufacture of equipment for poultry farms was built in Brest at one time. It even managed to manufacture single units, but there and then its specialization was changed. No one interfered in this matter and took into account the need and prospects for the sector's further development.

For example, meat poultry is still kept on the floor, although the egg producing cross is completely used to multitier cages. The transfer of broilers to such keeping promises considerable benefits. It is possible to obtain much more output on the same areas. The Ptitseprom is ready for this, but the technical imperfection of cages still hampers this matter. Such cages designed especially for broilers simply do not exist. But when the meat breed of poultry was placed in existing cages, a number of technological shortcomings were uncovered. And what was good in theory, encountered unforeseen difficulties in practice, which led to the loss of some consumer properties of broilers. It became clear that meat chicks, which gain almost 30 grams every day, need other cages. What kind? Engineering science is still struggling with this. The new category of equipment is only being tested near Moscow. It is impossible to take any measures on the spot. The same Brest Plant would have come in handy.

Production Concentration

Certain innovations and technical or technological and organizational solutions, which were first investigated in detail, were being introduced in stages, as needed, at the Ptitseprom not for the sake of vogue, but for the sake of the cause. Concentration proceeded in stages. Today this is the Ptitseprom's trump card. In connection with this should the republic's Gosagroprom not give serious thought to the problems of the sector's further concentration?

What happens in reality? At one time under pressure from above the Ptitseprom was forced to accept 66 kolkhoz and sovkhoz poultry sections with a poultry population that was meager in terms of the sector's scale. This only added concerns. First of all, addresses and points, where one had to be present in one way or another, visibly or invisibly, doubled. In essence, this is deconcentration, a policy opposite to that chosen at one time.

The Ptitseprom willy-nilly has to ensure the management of small poultry sections to one degree or another. But the managerial apparatus is not being increased. Conversely, it has been reduced by 22 people recently. But "its own" capacities and "its own" production volumes are growing. Here are meat production figures throughout five-year plans: the 9th Five-Year Plan, 132,000 tons; the 10th Five-Year Plan, 269,000 tons; the 11th Five-Year Plan, 491,000 tons. As we see, there was growth. No matter what the five-year plan, poultry meat production doubled. A total of 340 eggs and 12.5 kg of poultry meat are now produced per capita in the republic. There was progress. However, strange as it may seem, for this five-year plan the BSSR Gosagroprom planned only a small increase in production in the Ptitseprom system—about 15 percent for meat and even less than that for eggs.

Funds have also been allocated according to volumes: 116 million for the entire five-year plan. And this, provided that the Ptitseprom spends more than 60 million only on the maintenance of fixed productive capital and compensation for depreciation expenditures.

This also explains the slowdown in the rates of development concerning the meat sector of poultry breeding, although the Gosagroprom plans to noticeably increase the rates of development of kolkhoz and sovkhoz poultry sections during the present five-year plan. Now it is a rare day in the Ptitseprom when there is no telephone call or a visitor from a certain point in the republic with a request to open a poultry farm. Well, one can understand this: It is warm under the wing of the Ptitseprom. Owing to poultry meat production on an industrial basis and centralized feed, entire rayons are among winners. On the other hand, others are among the simpletons—against the background of "leaders."

It should be stated that this tendency has developed into a faulty phenomenon, when the chase after the well-being of the figure—the semblance of an increase in the total meat balance—to some extent replaces the concern for such sources of its replenishment as beef and pork.

Practice shows that the inclusion of kolkhoz poultry sections in the Ptitseprom does not save the situation, but can hamper Ptitseprom development.

Imagine that 2 years ago chronically lagging farms in Minskiy Rayon—the department of the Ozerney Sovkhoz and the Bolshevik Sovkhoz—were placed under its authority. The milk, beef, grain, and potato plan was increased for the Ptitseprom.

It should be stated that the sections of both the first and the second farm have increased milk per cow by almost 1 ton during these years. The Main Animal Husbandry Administration has often held exchange seminars on how to work at their base. However, this does not especially gladden Ptitseprom workers. After all, this diverts them from their own direct concerns and problems. Nor does the growth of small kolkhoz poultry sections make them happy. After all, they spend three times as much time per quintal of weight gain in broilers than a Ptitseprom farm and expend much more feed. We would like to note that the number of such small sections has exceeded the number of poultry farms. However, their volumes of meat production make up only 15 percent and of egg production, only 5 percent of the Ptitseprom's gross production.

Processing Zigzags

Having increased egg production almost 15-fold and meat production 12-fold since the beginning of its establishment, the Ptitseprom encountered serious problems in the processing of products and their delivery to the consumer. Meat combines did not join in this process. Moreover, some of them even closed poultry processing lines. The basic volume—more than 80 percent of the produced poultry—is subject to initial processing in primitively equipped shops of broiler farms.

On these poultry farms slaughter shops are the weakest spot, although it would seem that we have everything for highly mechanized poultry processing: standard poultry carcasses calibrated by the efforts of breeders and feeding specialists. We have what one-quarter of a century ago processors only dreamt about. But we have no equipment and the necessary automatic machines. Carcasses are dressed manually on a primitive conveyer. In our shop with a capacity of 6,000 head per hour 180 workers are employed, whereas in foreign firms, one-fifth or one-sixth of them. The same is in egg sorting and packaging. As a result, vast manual expenditures lead to the fact that commercial production costs per kg of poultry meat are almost doubled, approaching 2 rubles. But monetary expenditures on raising it, which requires almost 2 months, amount to a little more than 1 ruble. It turns out that in a few minutes of processing everything is reduced to naught. Is there no potential in this?

The processing plan is assigned to the Ptitseprom from above. In general, this labor intensive process, although it "pulls" indicators down, nevertheless is advantageous for the Ptitseprom, because from 1 ruble 60 kopecks the price mechanically changes to 2 rubles 20 kopecks and from 2 rubles 50 kopecks to 3 rubles 20 kopecks and sometimes even to 3 rubles 25 kopecks (with due regard

for the cost of the cellophane package). Poultry waste is also used: After thermal processing feed is enriched with it. The technology is waste-free and the expenditures are justified. It would seem that this is an intelligent approach.

Only the customer does not stand to gain, nor, seemingly, to lose: After all, we take a semifinished product. This is more pleasant and more convenient. Yes, a broiler chick for 3 rubles 20 kopecks without feet, viscera, and a head, to be sure, is more meaty and beautiful than the one that costs 1 ruble 60 kopecks. But it is not tastier, although there are no arguments about the taste. Ultimately, this one is not twice as good as the other. Then why does it cost twice as much?

It is understandable that the State Committee, not the Ptitseprom, deals with price formation. But its management does not object to this. Of course, a high price is advantageous for any producer, especially under conditions of unsatisfactory customer demand and the lack of competition.

It cannot be said that on the part of the Ptitseprom there were no attempts to reach the present level in the processing of its products as in their production. In particular, one can mention the special working exhibit 5 years ago, at which the opportunities in processing were demonstrated, including by the Ptitseprom. The exhibit was interesting. It had pates, canned goods, filets, small-portion poultry packaging, and semifinished meat and egg products. After the exhibit the Ptitseprom prepared appropriate materials and indicated the list of the necessary equipment for intensive poultry processing. However, it is not manufactured in the country, currency is needed for imported equipment, but the Ptitseprom does not have it, although it could.

Thus, the unsolved problem remained hanging. Nor did the Ptitseprom manifest special energy. The main administration need not do this and we, they say, will manage. Turkeys weighing half a pood lie in store windows and on farms eggs are sorted and poultry is dressed manually.

Meanwhile, the Main Animal Husbandry Administration during the same years found arguments to convince superior management to allocate currency for the purchase of a vast batch of equipment for diagnosing early pregnancy in cows. It is good that the matter did not go beyond documents and purchases of a small number of models. Even the apparatus installed at the scientific center of the veterinary institute to this day cannot win prestige among livestock breeders. Yet the intention was to have such fantastically expensive units in every rayon. Moreover, with the funds spent on this purchase the acquisition of the seven or eight lines necessary for the restructuring of poultry processing could have been ensured.

No, it cannot be said that the Ptitseprom sat with its hands folded. Already then, 5 years ago, it had agreements on a barter exchange. Foreign firms are ready to give the necessary equipment, buying poultry giblets at 3 rubles in currency terms. In our country they cost 50 kopecks per kg. Such a trade would have been mutually profitable. After all, we hardly see them. In general, for 2 or 3 years we could manage without this delicacy, which for some reason is still sold at a giveaway price in our country for the sake of something else: In order to have pates, frankfurters, canned food, and, moreover, poultry on the counter in a form corresponding to our consumer taste.

Five years ago barter noncurrency exchanges were not even mentioned, especially when foodstuffs were concerned. People said that the food problem was not fully solved in our country... But more was lost, first of all, owing to the quality of the products themselves and inefficiency in their consumption.

Poultry farms have their own "alibis." They produce good poultry. However, its incompetent processing, not taking into account the differences in consumer demand, nullifies a great deal. This is the same as with the lackadaisical housewife: A tasty meal is not obtained even from a good piece of meat.

I remember that one day Dutch chickens appeared on our counters. These deep frozen chickens packaged by an automatic machine in a vacuum medium can be stored for years, losing neither weight nor their main gustatory qualities. In our country, however, from slaughter shops of broiler enterprises such poultry carcasses are shipped to trade depots, where they wait in refrigerators for their time of sale, not being ready for long-term storage. Here they lose their appearance, weight, and consumer qualities. And then we do not want to look at them in store windows, lashing out at the Ptitseprom with whatever comes to mind.

The same problems exist in egg production. After all, eggs can also be processed. Incidentally, a number of foreign firms are willing to buy egg powder corresponding to the highest world standards from us for currency so necessary for the purchase of processing equipment.

For the time being, however, despite the fact that there is such an administration—the Ptitseprom—eggs and poultry have seven nursemaids. Perhaps this was justified at the stage of formation. Today, however, an excessively diligent suppression of the firm's independence on the part of the Gosagroprom gives only negative results, fettering the administration's initiative, which is not reflected in the best way in our consumer interests.

We now occasionally establish agrofirms and combines on an empty place. However, a ready firm exists, but we burden it with the fence of excessive guardianship and lock its initiative and enterprise.

Shortcomings in Uzbek Poultry Breeding

18240094 Tashkent SELSKAYA PRAVDA in Russian
2 Jun 88 p 2

[Article by D. Azimov, deputy director for science of the Republic Scientific Production Veterinary Laboratory for Poultry Breeding, doctor of biological sciences: "How Poultry Breeding Should Develop"]

[Text] Considerable changes have occurred in the development of industrial poultry breeding during the past 20 years. In the Uzptitseprom system under the UzSSR Gosagroprom about 80 farms—state pedigree stock plants, pedigree stock reproducers, and industrial farms of egg and meat specialization—function and turkey breeding is developing. These measures have made it possible to increase egg and poultry meat production significantly.

Obvious leaders, where the egg production of laying hens and the preservation of and daily weight gains in young stock are high and production profitability improves year after year, have also been uncovered. Such enterprises include the Poultry Breeding Production Association imeni Ilich. About 500,000 eggs are produced here daily, the egg production of a lying hen has reached 235 eggs, production costs per 1,000 eggs total 69 rubles, and production profitability makes up 28.5 percent.

The quantitative indicators of industrial poultry breeding farms largely depend on the level of intensification. It is by no means the same on different farms. Therefore, the collection of eggs per laying hen, the average daily weight gain in broilers, and the preservation of young stock in the republic lag behind the average indicators throughout the country. A high stock offal and an overconsumption of mixed feed per unit of output are permitted. Labor productivity and profitability are low. The utilization of capacities makes up only about 60 percent.

The labor collectives of the Uzptitseprom have mapped out a program for the sector's further development. Unfortunately, there are many problems on the path of its realization, whose solution depends not only on the Uzptitseprom. For example, poultry farms are often planned and built without due regard for local conditions and labor resources. Projects are put into operation in an illegal form without appropriate engineering-power and veterinary-sanitary solutions. The quality of construction and installation work on poultry breeding projects remains unsatisfactory. This process is also aggravated by annual reconstructions of poultry farms, which drag out for years.

In our opinion, in order to improve the activity of Uzptitseprom farms, it is necessary to change the structure of its production subdivisions. At the base of farms existing in oblasts it is advisable to establish production associations according to the following technological scheme: pedigree poultry reproducers of the first and

second order—industrial factory for egg production; a similar association for meat production. The indicated technological scheme is optimal, because in it the genetic material is concentrated and the gene pool of highly productive lines for raising and obtaining final products of poultry breeding of the corresponding specialization is ensured. The establishment of state pedigree poultry plants and pedigree poultry reproducers of the first order is also promising. Utilizing the country's gene pool efficiently, they systematically improve selection work for the production of highly productive hybrid poultry. This poultry is transferred to reproductive farms, which reproduce and cross it and produce hybrid hens (in the form of incubation eggs or daily young stock), which are sold to specialized commodity farms.

In the association all subdivisions will be interconnected by a unified plan. It is advisable that the general director of the association also guides the activity of one of the pedigree poultry reproducers.

In economic terms some unprofitable farms liquidate themselves and the released resources will be utilized for the creation of optimal conditions for the envisaged capacities of the established association. Thus, about 40 associations, instead of 80 farms, will function in the republic.

Industrial poultry breeding is a waste-free sector. The waste from keeping and processing stock can serve as feed for animals and the poultry itself and as an excellent organic fertilizer. Dozens of tons are accumulated at a large poultry breeding enterprise daily. The processing and utilization of droppings for the needs of the national economy are justified economically and ecologically.

The personnel problem evokes special concern. Managers of a number of farms do not meet the demands of the times and do not ensure proper management. However, owing to the shortage of personnel, this has to be tolerated.

While the republic's national economy needs more than 7,000 veterinarians, the staffing of animal husbandry projects with them makes up no more than 50 percent. A similar situation also exists in poultry breeding.

Opening a veterinary faculty at the Tashkent Agricultural Institute is one of the ways of solving this problem. Here there are scientific and pedagogical cadres, a complex of buildings and installations, and, above all, interests of the national economy. The Samarkand Agricultural Institute is unable to meet the republic's needs for cadres of veterinarians now or in the future. Decisive actions on the part of appropriate ministries and the Uzbek SSR Gosagroprom are needed here.

It should be especially stressed that the scientific developments by the Central Asian Department of VASKhNIL, the Uzbek SSR Academy of Sciences, and other departments do not meet the demands of intensively developing poultry breeding and do not exert a decisive effect on its progress. There is a need for a further improvement in the link of science with production.

Various forms of creative cooperation between scientists and enterprise collectives have appeared in industry and agriculture in recent years. Scientific production associations have shown themselves to be better than others. As experience shows, the party demand to more closely unite—economically and organizationally—scientific research and planning design with production is most successfully realized in the scientific production association. As a result, the time for advancing developments from laboratories to fields and farms is shortened considerably and problems concerning the development of production and increase in its efficiency are solved more rapidly.

The establishment of scientific production associations is also advisable in Uzbekistan's poultry breeding. The republic has at its disposal everything that is necessary for the establishment of a scientific production association for poultry breeding at the base of the presently existing Selection Center for Poultry Breeding and the Department of Poultry Breeding of the Uzbek Scientific Research Institute of Animal Husbandry, the Laboratory for Poultry Diseases of the Uzbek Scientific Research Veterinary Institute, the Tashkent Poultry Breeding Tekhnikum of the Uzbek SSR Gosagroprom, and the Republic Scientific Production Veterinary Laboratory for Poultry Breeding. Poultry farms of egg and meat specialization and a turkey breeding farm should be assigned as the base farms of the Scientific Production Association. On the basis of goal-oriented program planning the Scientific Production Association would pursue a unified scientific research policy in the region to ensure the continuity of all stages in the interconnected "research-production" cycle, which would correspond to the spirit of the times.

Opinion Poll on Privileges Reported

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[Article by V. Grishanov, sociologist: "Are Privileges Needed?"; first two paragraphs are ARGUMENTY I FAKTY introduction; passages in boldface as published]

[Text] From everyone according to his abilities, to everyone according to his labor. This is the essence of social justice under socialism. At the same time, for those who, owing to various kinds of circumstances (age, state of health, number of children in the family, and so forth), cannot work on an equal footing with everyone, the state tries to facilitate working and living conditions. In our country the word "privileges," that is, special rights and benefits legally granted to someone, is associated with the words "easy" and "preferential."

However, people evaluate the fairness and validity of certain benefits differently. We tried to clarify the opinions of Moscow residents in our regular telephone poll.

We received very conflicting answers to the following question: "How do you evaluate from the point of view of social justice the entire system of privileges formed in our country?"

Out of the 1,136 people polled:

- 39.4 percent believe that this system is fair and does not require special changes;
- 47.8 percent assume that it needs serious changes;
- 5.9 percent are in favor of abolishing all privileges.

(The rest did not want to answer the question.)

The representatives of the last small group mostly argued their answers as follows: "It is necessary to raise the general standard of living and to eliminate shortages. Then privileges will not be needed." "All benefits should be abolished because they inculcate in people the habit of consuming wealth only at the expense of others and stimulate dependence."

Among those who evaluated the present system of privileges as fair some added: "The system of benefits itself is fair. However, those who do not deserve them often enjoy them." "All of the privileges are necessary, but we have not yet learned to make use of them." That is, these respondents also favored correction of the existing system of privileges.

Thus, approximately two-thirds of those polled believe that the system of privileges created in our country needs changes.

Which privileges are evaluated by the respondents positively and which negatively as unfair? For whom should they be expanded and for whom reduced? In other words, "Who should benefit as a result of the changes and who should lose?"

A total of 526 people gave detailed answers to these questions.

What are their opinions?

- 32.5 percent supported the need for and fairness of privileges for war and labor veterans;
- 18.2 percent, for families with many children;
- 12.4 percent, for disabled persons;
- 7 percent, for people working under difficult and harmful conditions.

The following are characteristic statements in this connection: "We owe our lives to war veterans. They earned their benefits." "I believe that families with many children should benefit, because children's education is an enormous task and they need benefits." "More benefits should be granted to those who work under harmful conditions. After all, they risk their health."

At the same time, opinions to the effect that some benefits are often used not as intended were heard in many answers: "Social benefits often are not given to those for whom they should be intended." "Veterans should enjoy benefits, but why do members of their families, relatives, and even mere acquaintances also enjoy them?!" "Why does an elderly person need imported women's nailed boots?"

"Many privileges," some respondents believe, "are the reason for conflicts among people and this is bad."

A total of 17.8 percent of those who gave detailed answers were in favor of strengthening control and introducing order in everything that concerned benefits.

Most conflicting opinions concerned benefits for families with many children. The following answers were encountered: "Families with many children believe that the state is indebted to them, but no one pushed them to give birth to so many children." "I believe that families with many children do not need benefits. After all, they knew what they were getting into." "Before bringing children into the world, one should think about one's capabilities."

Sensible opinions and proposals for improving the procedure of using these benefits were expressed. However, there was much more of the following: "Benefits for

families with many children should be given with due regard for how they bring up their children." "Benefits for families with many children should be differentiated according to regions."

The following frequently encountered answers should also be mentioned: "Privileges are needed, but I don't know this system well." "I don't know to whom they are given, because they are deserved, and to whom, for an unexplainable reason!" "People should be better informed about everything that concerns benefits."

The poll has shown that at present people are not only not well informed about existing benefits, but also do not understand some of their functions, primarily such as the provision by society of social assistance to those who really need it.

In what do our respondents see the basic shortcomings of the existing system of benefits?

"The right to privileges exists, but at times it is difficult to use them." "They are very limited for some categories of recipients of privileges." "I believe that the system of privileges should be changed fundamentally. Now it is impossible to understand it."

Many participants in the poll expressed objections to various kinds of departmental benefits and privileges: "Why should the workers of the Ministry of Railways and a number of other departments travel free of charge on public transport?" "I believe that privileges should not depend on a person's place of work," and so forth.

A total of 13.7 percent of those who gave detailed answers expressed a negative attitude toward privileges for managers: "The working class should benefit and those who enjoy undeserved privileges should lose." "I believe that privileges should be accorded to those who really need them—disabled and elderly people." "It is unfair that some managers enjoy special privileges."

In this connection it can be mentioned that recently certain privileges for managers (for example, the use of so-called "therapeutic nutrition") have been abolished and in a number of union republics boarding houses, sanatoriums, and other social and cultural institutions at the disposal of party and state bodies have been transferred for the people's social needs (see AiF, No 40).

The conducted poll has shown that the problem of validity and fairness of privileges is now quite acute. Many opinions and evaluations expressed by respondents point to the fact that there is an urgent need for a serious reexamination of the approaches to the establishment of privileges. Of course, everything that concerns privilege and the procedure of using them should be discussed now under the conditions of complete glasnost and democratism.

POLICY, ORGANIZATION

Public Informed About Changing Co-op Prices

Reasons for High Prices

18270010 Moscow IZVESTIYA in Russian
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[Interview by IZVESTIYA correspondent E. Parkhomovskiy with Doctor of Economic Sciences A. Orlov, director of the All-Union Scientific-Research Institute for the Study of Public Demand for Consumer Goods and Competitive Market Conditions [VNIISK]: "Prices and Glasnost—How Matters Stand in the Cooperative Market"]

[Text] *Cooperatives and cooperative prices are being discussed everywhere. Many are expressing dissatisfaction with the expensiveness of cooperative goods and services. What has caused these high prices? What are their dynamics? What influences reductions in them?* IZVESTIYA correspondent E. Parkhomovskiy addressed such questions to Doctor of Economic Sciences A. Orlov, the director of the All-Union Scientific-Research Institute for the Study of Public Demand for Consumer Goods and Competitive Market Conditions.

[Orlov] Price dynamics on the cooperative market are closely linked with the dynamics of shortages in the state sector. The higher the level of the shortage, the higher the price. Take, say, the prices at the public-catering cooperatives. In view of the poor operation of state public catering, they are quite high. Say an entree of meat costs an average of five rubles, while a lunch overall frequently costs 10-15 rubles. But there's nothing to be surprised about here: the cooperatives are rarely able to conclude contracts with kolkhozes and sovkhozes for the delivery of agricultural products at moderate prices. And no one, as you know yourself, would call the prices on the kolkhoz market low.

[Parkhomovskiy] Many feel that a considerable share of the blame for this lies on the cooperatives. When they went out with their baskets to the kolkhoz market, there was no place left there for the ordinary purchaser with his string bag...

[Orlov] The data of our institute do not support that conclusion. This influence is not appreciable even in Uzbekistan, Tajikistan and Turkmenia, where the share of cooperatives in public catering is relatively high. And as for the high prices at cooperatives, they still depend largely on their supply and small numbers. The more cooperatives there are, the lower the prices will be.

[Parkhomovskiy] How could the arrangement of wholesale supply of raw materials for cooperatives affect these prices?

[Orlov] Prices are appreciably lower in Lithuania, Estonia and Belorussia, where such supply has been set up.

[Parkhomovskiy] Many are dissatisfied that the cooperatives buy produce in stores at retail prices, put them into their own production and then resell them as various courses at considerably higher prices.

[Orlov] Research conducted by our institute has shown that this does happen. Roughly forty percent of the produce and materials used by cooperatives today are obtained in state stores.

[Parkhomovskiy] Is this on a legal basis?

[Orlov] Not always... And this situation is a burden to the cooperatives themselves, in their own words. They would be much more willing to buy these products at markets, wholesale bases and stores specially organized for them.

[Parkhomovskiy] And where do the raw materials and produce for this wholesale trade come from? It must be shifted either from the sphere of state production, which will scarcely be done, or from the conventional trade network, once again violating the interests of the consumer.

[Orlov] We began building the cooperative movement from the wrong end. We have to think first of all about the raw-materials base, especially in agriculture with its small cooperative forms, leasing contracts and family farms, as well as about procurement and supply cooperatives. This path has been universally recognized here now. We have to assimilate it as fast as possible. Cooperative prices will react immediately.

There are more than thirty thousand cooperatives in the country now. They put out goods worth a billion rubles in the first half of this year. Although it could have been considerably more. It is about 4 rubles per person on average. At the same time, in the Baltic republics, as well as in Georgia and Armenia, this level is equal to 10-14 rubles. And just 1.7-3 rubles in the Central Asian republics. See what a gap there is.

[Parkhomovskiy] Do prices have an effect on this?

[Orlov] Absolutely! Jeans cost from 80 to 130 rubles, depending on the quality, in the Baltic republics. The price reaches 150-160 rubles in some Central Asian republics. In Moscow, where there is about 20 rubles worth of cooperative products per person, the jeans cost 120-130 rubles.

[Parkhomovskiy] Why hasn't the price fallen lower than the Baltic area in Moscow? The indicator is higher there, after all...

[Orlov] One must remember the millions of heterogeneous purchasers that support the high tone of demand. Even despite the fact that cooperative items are sold in Moscow (these same jeans, safari outfits, shoes) from Rida, Odessa, Yerevan and other cities of the country as well.

[Parkhomovskiy] Can you name any products at all whose prices have fallen?

[Orlov] I can. Jewelry, haberdashery and various bags and belts among others. The prices for these have fallen 15-20 percent over the year and have stabilized. I think competition on the part of individuals has played a role in this.

[Parkhomovskiy] By the way, about prices and market competition. It seems to me that since there are still few competitors to, say, a cafe, and it is difficult for a consumer to compare their prices even within the same city (a hungry consumer won't rush from one end of town to the other to compare prices), he must be helped with timely information. The customer should know what, where and how much. Then he won't pay an excessively high price, and even cooperative public-catering stations remote from each other will be competing thereby. And not only them.

[Orlov] It would be important at the same time to know the price dynamics of state public-catering stations on leasing contract. The price can also be determined by supply and demand there. Information about that could also affect prices.

[Parkhomovskiy] Couldn't your institute give our readers such information from time to time?

[Orlov] I think we could. With the participation of our branches in the republics and other institutes. Openness and glasnost would be exceedingly useful on this issue.

[Parkhomovskiy] Today many are coming out against shifting the freight of business inefficiency and high administrative costs onto the shoulders of the consumer, forcing him to pay higher retail prices. Doesn't it seem to you that cooperative prices are free of that, that they can rise but also fall more easily?

[Orlov] Research conducted by our institute has shown that sixty percent of the cooperatives polled that have gotten on their feet strive to preserve stable prices for a definite and quite prolonged period. Twenty percent lower them after a month. Roughly sixteen percent reduce them half a year later. All of this depends on demand, of course. The cooperatives are to a certain extent laying the path to assimilating the general laws of market relations. Including the state enterprises operating under the conditions of genuine economic accountability [khozrashchet].

Co-op Cafe Prices Published

18270010 Moscow IZVESTIYA in Russian 7 Oct 88 p 3

[Article by VNIKS sector chief Candidate of Economic Sciences V. Royzman: "The Bill for Lunch at a Cafe"]

[Text] In a discussion with an IZVESTIYA correspondent published in issue No. 267 of our paper under the headline "Prices and Glasnost," Doctor of Economic Sciences A. Orlov, director of the All-Union Scientific-Research Institute for the Study of Public Demand for Consumers Goods and Competitive Market Conditions, expressed the consent of the institute to provide information on prices in the cooperative market to IZVESTIYA readers from time to time. Today our paper is publishing the first materials from the institute under a new rubric.

The main topic of dispute surrounding cooperative cafes is prices. They really are high. An entree of real meat costs roughly 5-6, and even 7, rubles in Moscow cafes. (Roast beef with vegetables cost 5 rubles 5 kopecks, for example, in August-September at the Pokrovka Cafe, roast chicken with potatoes was 5 rubles at the Kolkhida Cafe, roast ham was 5 rubles 05 kopecks at the Razgul'yay Cafe, and meat with mushrooms was 7 rubles at the U Kamina Cafe). The price of meat appetizers was 2-3 rubles. Cold meats and vegetable hors-d'oeuvre cost roughly the same.... In short, one must spend 10 or even 15 rubles to lunch in a Moscow cooperative cafe.

The level of prices in the Baltic cooperative cafes is somewhat lower. A carbonnade with mushrooms costs 4 rubles 70 kopecks at one of the most popular cafes in Vilnius, the Stiklyay, while the fixed Stiklyay course is 4 rubles 20 kopecks and meat and fish appetizers are 1 ruble 20 kopecks. Meat with mushrooms cost 4 rubles 80 kopecks and meat appetizers cost 1 ruble 70 kopecks at the Senite Cafe in Riga.

In the cooperative cafes of Tbilisi and Yerevan, shashlyk costs from 2 rubles 50 kopecks to 3 rubles 50 kopecks, khinkali 25-30 kopecks per piece and other meat entrees (including those such as chicken cutlets and roast game) are usually no more than 3 rubles 50 kopecks. One of the secrets of this, however, is small portions (the price given for shashlyk, for example, is for a serving size of 150 or even 100 grams, while it is 200 grams in Moscow cafes).

The situation is analogous in the cooperative cafes of Central Asia.

What explains the high prices in cooperative public catering? The main thing referred to by the cooperatives was the high price levels on the kolkhoz markets, where they must largely procure their raw materials. This is a very real factor. Prices for beef and ham on the Moscow markets this summer were almost 4 times more than the state ones, and they were barely lower in the markets of Tbilisi, Kishinev and Yerevan, while they exceeded state prices to a lesser degree (roughly 2-3 times) in the

kolkhoz markets of Vilnius, Riga, Tallinn and the capitals of the Central Asian republics. Prices for these products have increased compared to last summer in the markets of Moscow, Tallinn, Alma-Ata, Kishinev and some other capitals of union republics, while in the others they remained unchanged. It is essential to stimulate the creation of cooperatives to organize subsidiary agricultural production and procurement of agricultural products on sovkhozes, kolkhozes and among the general population in order to reduce the influence of this factor on the price of meals. It would also be expedient to organize wholesale markets for products for cooperatives, where prices would be lower than in the urban kolkhoz markets through the wholesale trade of goods.

The higher prices of the public-catering cooperatives are justified to a certain extent, as a rule, by the better quality of the servings, and especially in the use of various additions and garnishes (mushrooms, nuts, greens and the like) and the higher standard of service.

And all of these, of course, are not so much the actual prices of the products, even though they are of higher quality, as it is the price of shortages at state enterprises for public catering. The relatively lower level of prices at the cooperative cafes of the Baltic testify to this. The provision of a public-catering network for the population and its sales per capita in Latvia and Estonia are roughly 1.5 times higher than the average for the country overall. These indicators are also higher than average (though to a lesser extent) in Lithuania as well. The number of public-catering cooperatives in relation to the state public-catering network in these republics is roughly twice as high as for the country overall. If one takes into account that the products of many of the state public-catering institutions enjoy great demand in these republics, the competition the cooperatives must reckon with is evident. This also relates to a certain extent to the cooperatives of Georgia and Armenia as well.

The chief condition for reducing prices in cooperative cafes is thus the creation of competition, and moreover not only on the part of state enterprises, but on the part of new cooperatives as well (not to mention the achievement of an overall balance of supply and demand as a factor improving the movement of prices). Matters have still not reached that point, however. Although the quantity of public-catering cooperatives has grown by 2,000 over the first half of this year, their share of the overall quantity of cooperatives has declined from 21.6 to 15.5 percent over that time. This means that they, quite recently attracting great attention from the organizers of the cooperative movement, have begun to develop more slowly than others.

This situation can be changed first and foremost via a better thought-out and more flexible tax structure. Relatively lower rates should be set for deductions from income for cooperatives that many visit for breakfast, lunch or dinner, and higher ones for those that produce non-labor-intensive products for street sales (rolls with

filling, for instance). Reduced tax scales could also expediently be set for public-catering cooperatives operating where the shortcomings of the state public-catering enterprises are especially felt—at resorts, in mass vacation areas, on highways.

As for the development of competition on the part of state enterprises, the main thing here is to create for

them a palpable economic vested interest in a high quality of operations. For this to happen, real economic accountability must first and foremost be brought to each individual cafe, cafeteria or snack bar, so that their workers receive their wages depending on the results of the activity of their immediate collective, and contract forms of economic operation, especially the lease contract, must be developed and improved.

The following data from the materials of a selective survey can illustrate what was stated above:

	Price on kolkhoz markets in July 1988 for 1 kg (rubles, kopecks)		Approximate price of 100 grams of meat in entree (rubles, kopecks)	Quantity of public-catering cooperatives per 100 public catering enterprises accessible to the public in state and cooperative trade		
				In state:		
	Beef	Ham	In a cooperative cafe	Cafes	Restaurants	
Moscow	7-81	7-23	3.5-4.5	0.7-0.8	1.8-2.0	4
Riga	6-00	5-16	2.5-3	0.6-0.7	1.5-1.7	6
Tallinn	5-00	4-00	2-2.5	0.5-0.6	1.4-1.6	7
Tbilisi	7-00	7-00	2-3	0.6-0.7	1.6-1.8	6
Yerevan	5-90	5-90	2-3	0.6-0.7	1.5-1.7	5
Alma-Ata	4-16	3-76	2-2.5	0.5-0.6	1.3-1.5	4
Kishinev	6-00	7-00	2.5-3	0.6-0.7	1.4-1.6	4

Consumer Co-op Officials View New Trade Psychology

18270001 Moscow SOVETSKAYA
POTREBITELSKAYA KOOPERATSIYA in Russian
No 7, Jul 88 pp 6-10

[Interview with the head of the Latvian Union of Consumer Cooperatives, I. F. Strautin, the head of the Lithuanian Union of Consumer Cooperatives, V. A. Ramanauskas, and the Estonian Union of Consumer Cooperatives, A. E. Aruvald, by G. Polevichek: "It Is Time That We Learn to Trade"; first seven paragraphs are SOVETSKAYA POTREBITELSKAYA KOOPERATSIYA introduction"]

[Text] Trade is nowadays criticized from below and from above.

From below (buyer)—for the unavailability for sale of many needed goods. From above (the authorities of different ranks)—for the non-fulfillment of the plans of commodity turnover.

What is happening? What paths are seen to the way out of this difficult situation in which cooperative trade has found itself?

We decided to take an interest in the opinion on this account of the heads of the Baltic unions of consumer cooperatives: Of the Latvian—I. F. Strautin, the Lithuanian—V. A. Ramanauskas, and the Estonian—A. E. Aruvald.

The answers are not identical, for the problems are, indeed, not simple.

The years of stagnation corrupted the workers of trade and trained them to fulfill the plan with ease. The main thing—it was necessary to get a hold of a little more goods in short supply, especially imported goods, and to establish good and, in essence, mutually-amnestying relations with the suppliers.

Now the situation in trade has changed. A high degree of professionalism is required of its workers, businesslike enterprise, and serious commercial work. In other words, what is required is the ability to trade, and it is time, finally, to learn to trade in the right way.

I. Strautin: In trade, not individual measures are needed, but a fundamental change, a cardinal restructuring in the methods of administration, the system of management, and the training of people.

The system of consumer cooperatives was subjected to sharp and justified criticism for unsatisfactory trade activity in the report of N. I. Ryzhkov "On the Role of Cooperatives in the Development of the Economy of the Country and the Draft of the Law on Cooperatives in the USSR" at the recent 9th Session of the USSR Supreme Soviet of the 11th convocation. The rates of the development of cooperative commodity turnover are slowing down. The consumer societies do not fully satisfy the demand of the member-shareholders and the population being served for goods. The level of the quality and standards of service in trade is low.

The possibility is now opening up before the workers of trade to show their ability to work, to operate efficiently and competently, and to manifest socialist enterprise in securing the plan for commodity turnover and a high level of trade service. Unfortunately, restructuring here is moving slowly up to now, many remain captivated by the old obsolete methods of work and perceive with difficulty the new and progressive that is being engendered by our dynamic time.

Let us take the problem of the non-fulfillment of the plan of commodity turnover. For many cooperative organizations it has become chronic. What is the reason?

The difficulties with the shortage of goods is identical for all. However, some, working in a new way in the new conditions of management, are achieving the fulfillment of the plan, but others continue to act in the old manner, setting their hopes on a shortage, on help from above, etc.

Consequently, the omissions in the style of management on all levels, beginning with the management of cooperative organization and ending with individual stores, is costing dearly now.

A bad situation in the development of commodity turnover usually does not arise in a day or a month, the workers of wholesale and the republic union of consumer cooperatives trade management know about it, but frequently this does not distress them properly, they act too sluggishly, not in the spirit of the time, in essence they do not search for new approaches to the solution of the problems.

Every failure, like success, is not accidental. And when you analyze them, when you weigh them on the scales of the economy, then, as a rule, you come to the conclusion: People put the heaviest weights on the scale. The path to success is daily persistent labor, a creative approach to work, it is a deep understanding of personal responsibility for the area of work entrusted. And, vice versa, failure, as a rule, is found where sluggishness, indifference, and inability or unwillingness to search for and to find ways and means to increase the quality of work reign.

Today you do not fulfill the plan for commodity turnover of goods in short supply with "good relations" with the organs determining the tasks. There is no sense in setting your hopes on this, so unfit a practice has gone out of fashion. Now the key to success lies in the ability to demonstrate efficiency and socialist enterprise, precisely in the ability to trade, to give a commodity an attractive appearance, to introduce progressive forms of service that are convenient to the population, to expand services, and to make competent use of equipment and technology.

Now there is the sort of stage where in trade, making use of a well-known aphorism, everything must be fine: Both the corners and the pies. It is important that the process of selling in the store is skillfully organized, that there is an attractive interior and bright advertising, and that the smiles and polite manner of the sales personnel improve the mood of the buyers. This is why the chief concern of the workers in retail trade and to a still greater extent in wholesale organizations is the commodity provision of trade.

The state order for retail commodity turnover to the Latvian Union of Consumer Cooperatives during the current year is large enough, if we take into account the fact that during the past year we attained a high indicator of the sale of goods per capita (1,300 rubles with 800 rubles on the average for consumer cooperatives of the country). Unfortunately, the commodity resources being allotted for the time being do not provide for the needs of trade, and we are orienting the commercial services and the cooperative organizations toward the mobilization of internal reserves. We believe that commodity provision should be procured in work with the suppliers, and not through parasitical requests to higher authorities. Cooperators should have closer contact with the enterprises of the agroindustrial complex at the local level, with labor collectives, and with the commodities that are turned out.

I do not think that these directions are not known to the workers of trade, but their attitude to this is different. Let us take such a channel of increasing commodity turnover as the use of production wastes and substandard materials. Last year we sold 2.8 million rubles worth of such materials. And we could sell significantly more; you see, only a number of cooperative organizations—the Riga Rayon Union of Consumer Cooperatives, the Tukums, the Yelgava, and the Saldus rayon unions of consumer cooperatives have set the trade in "substandard products" going. The remaining ones are lingering, waiting, and swinging back and forth.

"Do It Yourself" stores, departments, or at least sections obviously should be available everywhere. Then already by the end of this five-year plan, additional production wastes and substandard products valued at 10 million rubles can be offered for sale.

It seems, no one will dispute that commission trade in manufactured goods is a useful thing. But it is progressing very slowly. It is necessary to expand the network, opening stores with sections for the sale of children's clothing, footwear, furniture, and other goods. We must to the maximum degree draw into circulation the goods of the new cooperatives and those made by way of individual labor activity.

The Līyedags Department Store of the Yurmala Inter-Rayon Fishing Consumer Cooperative opened a small department for the sale of such goods and has daily sales of 3,000-4,000 rubles. As we see, the game is worth the

candle, though this is far from being the limit. But are there many such departments? Alas! It would seem, the source of commodity resources is known and, moreover, approved, but for some reason the cooperative organizations are in no hurry to make use of it.

Of course, there are difficulties with space, but the government of the republic gave us good assistance here, having obligated the Soviet organs to allot premises to trade for the organization of specialized stores for the sale of goods of production cooperatives and individuals. The managers of a number of cooperative organizations there and then grasped at this thread, but others here, too, are not in a hurry, but are waiting for someone to bring them the keys to the store into their offices.

A real scourge of trade is the closing of stores for a prolonged period: Because of understaffing, but more often—because of prolonged planned and extraordinary inventorying. And, you see, there is quite good experience of the efficient and quality conduct of such measures. In the Liyedags Department Store, for example, they create several commissions, thanks to which the inventorying time is reduced to one half with the simultaneous observance of the established requirements.

V. Ramanauskas: Yes, it is time for the cooperators to learn to trade. The resources of several commodities, most likely, are in short supply, but the thing is that the majority of them are available to your heart's content, and the increase of their sale depends entirely on the level of the organization of trade and on the effectiveness of the stimulation of its workers. Unfortunately, up to now we have not learned to coordinate material incentive with the final results of work, the trends of wage-leveling are still strong, not everywhere do people understand that, writing out payments on a sliding scale to loafers, they offend the conscientious workers and discredit honest labor.

We do not even have to discover America, but take up the solution of the problems that are known, as they say, that have set the teeth on edge. Among those is the pre-packing of manufactured goods. The food industry of the republic does not only fully satisfy the demand of the rural population for product assortment, but also provides few pre-packaged goods—only 37 percent of all confectioneries being supplied, 55 percent of the fats, 64 percent of the vegetable oil, 9 percent of the dried crust, and cereals are not packed up at all.

Obviously, the situation here will not change very soon, the cooperative organizations will have to take up packaging themselves. And many treat this with understanding. But there are also those in our republic (it is worthwhile to mention them—the Alitus Trade Base, the Zarasay, Utena and Shvechenskiy [as published] rayon unions of consumer cooperatives), who persistently do not want to set packaging going, forgetting that this is fraught with interruptions in trade.

The stocks of the centrally allocated commodities are growing slowly, the plans for commodity turnover are not being covered by them—that is the reality. And that is how sober the approach to the solution of the problem on the part of the union of consumer cooperatives must be—all channels for increasing commodity resources must be utilized to the fullest extent possible. During the past year, we bought up commodities in the decentralized manner for 31 million rubles. We opened up good suppliers for ourselves in the person of kolkhoz and sovkhoz businesses—from them we bought articles worth 5 million rubles. All of this had an effect on the fulfillment of the plan for commodity turnover. It is distressing that up to now we have been drawing little from this source. If some rayon unions of consumer societies (in particular, the Birzhay, Ionava, and Plunge rayon unions of consumer societies) buy in such a manner commodities worth 600,000-700,000 rubles a year each, others do not even reach 100,000 rubles. Is it surprising that they also do not fulfill the plan for commodity turnover.

We do a thoroughly bad job of engaging in commercial work and the formation of the assortment of goods, although there are enough calls for this. Some trade organizations are working without any spirit at all with the suppliers and do not select the allotted stocks in good time. In the presence of the general shortage of the commodity mass, there are deposits of unmarketable goods in many rayon unions of consumer societies and rayon consumer societies: At the beginning of this year there were 5.5 million rubles worth of them. The "champions" along this line in our republic are the Pasvalis Rayon Union of Consumer Cooperatives (320,000 rubles worth of "unmarketables"), the Birzhay Union of Consumer Cooperatives (280,000 rubles worth), and the Lazdiyskoye Consumer Society (170,000 rubles worth).

One of the most important functions of the commercial service is the provision of the obligatory assortment list established for the stores and the adjustment of the entire mechanism commodity supply. Meanwhile, it has been established by verifications that every third to fourth store does not trade in the commodities that are available in sufficient supply, which are prescribed as obligatory for it by the assortment list. Thus, in the stores of the Kelme Rayon Union of Consumer Cooperatives, glasses, vegetable oil and butter, dry kissel, galoshes, etc., which were available at the bases, were not for sale. Moreover, one hears that these are not isolated cases. Last year, the trade enterprises of the same Kelme Rayon Union of Consumer Cooperatives were checked three times, and every time it was about the same picture. Thus, the lack of responsibility had lodged deeply, and no matter how difficult, it must be fought to the end.

But let us take the inter-rayon wholesale bases. Their warehouses are constantly short of 15-20 commodity designations that should be here in accordance with the

obligatory assortment list established for this enterprise. And this happens, not because of the shortage of articles, but because of unsatisfactory commercial work.

From month to month, the shortcomings in the organization of the supply of goods to the stores are repeated. The retail trade workers submit orders that are without foundation, indeed from the lantern, the inter-rayon and rayon trade bases are late in delivering the commodities to the stores and they do a poor job in completing the commodity lots. And it is, above all, the buyer who is suffering from this, not finding for sale what he needs.

A. Aruvald: We frequently repeat: We must constantly feel the pulse of consumer demand. But in practice we keep encountering miscalculations in this matter. There is an increase in the demand for radio equipment now and for several household items. But trade and industry have not proved to be in a position of satisfying it. And mainly because this jump in demand came unexpected for them. The consumer demand research service did not warn about it. But it could have. You see, many of the commodities names are now being acquired for replacement, and this was not so difficult to predict.

Now the state of commodity supplies is causing concern. For the Estonian Union of Consumer Cooperatives, they are below the norm. In particular the demand is not being met with respect to wool fabrics, ready-made clothes, haberdashery, stockings and socks, outer clothing, underwear and furniture.

Recently new forms of labor organization—lease, family, and individual contracts—have begun to develop in cooperative trade and catering. Especially great hopes are being inspired by the collective and family contract, which, without a doubt, must become one of the chief forms of intra-organizational economic relations. Practice shows that work on a contract arouses enterprise and initiative among the toilers in trade and public catering, helps to find reserves where people previously did not notice them, and cultivates a thrifty attitude toward work.

In the course of restructuring, quite a lot is springing up that is new and interesting in the way of the activation of trade. A fresh example is "Auktsion" [auction]. This—for our trade worker—previously unaccustomed word designated an effective form of selling off goods whose sale had slowed down for some reason, frequently because of their seasonal character. Their price reduction with the participation of the buyers to the value of a possible sale will help the cooperative organizations to get rid of long unused articles.

One only has to be more receptive to interesting experience, to adopt and introduce more quickly in one's own enterprise that which produces an effect, activates trade, and improves the servicing of the population.

An urgent task is the expansion of the list of services being extended to the population. Last year's plan for this indicator was fulfilled by our union of consumer cooperatives, with respect to some types the volumes of services increased very significantly. For example, the co-operators provided one and a half times as many services to the inhabitants of the republic as the acceptance and execution of advance orders for food products, the completion of gift sets, the home delivery of large-clearance articles for the buyer, and automobile hire. A number of new services have been developed—metal-working, repair and technical maintenance of motor cars in personal use.

However, for the time being both the volumes and the list of services are insufficient. The consumer expects more from us, the field of activity for the cooperator is extensive here, we will have to develop this promising sector of our activity in every conceivable manner.

I. Strautin: The improvement of trade is inconceivable without the strengthening of its material-technical base and the acceleration of scientific-technical progress. Frequently one has to hear: "The base is weak, what can one take from it." But here one wants to ask: "And have you done everything in order to strengthen it, have you shown the enterprise so necessary in the new conditions of management?"

In the development of the cooperative material-technical base of the republic, we are contributing considerable means—for each one of the last five-year plans approximately 60 million rubles. But how the fixed capital that has been introduced is used, what the yield is, is, as they say, information for reflection.

Of great significance for the acceleration of scientific-technical progress is the realization of the goal-oriented programs "The Integrated Rationalization of the Activity of Cooperative Organizations and Enterprises" and "The Reduction of the Use of Manual Labor and the Improvement of the Use of Equipment." In implementing them, the cooperators of Latvia, in cooperation with the workers of the local branch of the Central Institution for the Scientific Organization of Labor, Management and Rationalization, have recently introduced comprehensive rationalization in hundreds of retail trade and public catering enterprises, and many wholesale bases. As a result, without new construction, more than 40,000 additional square kilometers of trade area, 29,000 square kilometers of display area, and 1,000 places in public catering enterprises, have been obtained. There has been an improvement in the technology of the work of rayon wholesale bases: Halls of commodity models and pre-packaging plants have been created, there has been a significant increase in the level of the mechanization of loading and unloading work, and there has been a reduction in the use of manual labor. We are setting the task—to obtain the lion's share of the increase in commodity turnover not through the installation of new

enterprises, but through the adaptation and reconstruction of premises not being utilized for one reason or another, the technical reequipment of enterprises, and the introduction of progressive technology and advanced methods of labor organization.

We believe that cooperative organizations must have long-term plans for the realization of goal-oriented programs and in a timely and careful manner consider and prepare the projects that are subject to reconstruction, capital repair and technical reequipment. In so doing, it is necessary to make fuller use of the potential of the Central Institute for the Scientific Organization of Labor, Management and Rationalization.

We should also remember our responsibility for the state of the material-technical base. To economize here, and consequently to neglect it, to condemn it to work to deterioration is to inflict damage to the interests of society.

The time has come to engage in the introduction of comprehensive decisions and complete technological cycles—the transports of commodities in container equipment, the centralization of the production of prepared foods in public catering, the pre-packaging and the commodity processing of vegetables, potatoes and fruit on the bases of the procurement offices.

In our republic we have basically completed the work in regard to the full staffing of the chief engineering personnel of enterprises and organizations, and we have the right to expect an effective return.

V. Ramanauskas: The availability for sale of articles of one sort or another depends to a considerable degree on the sectors that are feeding trade.

The governing board of the Lithuanian Union of Consumer Cooperatives is setting the goal—to sell more products of public catering through the retail trade network. Something has been done in this direction, but there are no reasons for complacency.

Up to now, inefficient use is being made of production capacities of public catering enterprises, first of all, large ones, which produce few confectionery and culinary items. About production work in 2-3 shifts, we have been talking for a long time, but there are few concrete advances.

We are directing the managers of rayon unions of consumer cooperatives and rayon consumer societies and the public catering associations to persistently try to attain that all rural dining-rooms have land sections, equipped with greenhouses or hotbeds, and that early vegetables and greens be grown in sufficient quantity.

The workers' dining-rooms in the enterprises are able to do a great deal—to expand the offer of additional services, to open up stores or cookery departments (unfortunately, up to now they function in approximately only every seventh dining-room).

The rural dining-rooms themselves do little in the way of pickling cabbage, pickling cucumbers, making preserves, and laying in greens and other agricultural products, although all possibilities exist for this.

A few words about the assistance provided to trade by the procurement organizations. Although the procurement plans for the basic agricultural products are being fulfilled, the restructuring in this sector does not correspond to today's requirements.

Clearly inadequate attention is being given to the purchases of surpluses of agricultural products from the population, in particular from members of collective gardens. Not a single procurement organization of the republic union of consumer cooperatives is purchasing greens here, for which the demand is enormous. The network of produce procurement centers directly in garden and kitchen-garden associations, as well as of the procurement and production enterprises in the farmsteads of the kolkhozes and sovkhozes, is developing slowly. Undoubtedly, the contribution to the improvement of the trade of cooperative industry must be more significant. Very meager is the assortment of canned vegetables produced by it, although the raw material for them is available in sufficient supply in the republic. There is also little production of preserves.

Many ailments of the food industry have already become chronic—the incomplete use of production capacities, violations of manufacturing methods, and products of deteriorating quality. . . .

But even chronic ailments are curable if they are given thorough treatment.

The inhabitants rightly complain about the shortage in the trade network of such national brands of bread as "Ventos" and Zhemechyu, roles of small weight, and spice-cakes. In the majority of rural stores bread is supplied once every 2-3 days, and the quality of the transports and the storage of product No 1 leave much to be desired. Little bread is supplied in special containers.

New cooperatives being created in the industrial enterprises of the system have begun to take up the production of some manufactured goods. Last year they manufactured various products valued at 625,000 rubles. Our task is to assist the formation of these cooperatives in every conceivable manner and the increase of the output and sale of their products in the cooperative network.

M. Strautin: Now the consumer cooperatives are being released from state purchases and deliveries to the all-union and republic stocks of potatoes, fruit, berries and vegetables. This makes it possible to direct more of them into the system, to significantly increase sales through the cooperative network and kolkhoz markets, and to expand processing at their own enterprises. But in order to sell more, it is necessary to procure more. One of the ways to this is the strengthening of the business interrelations with the owners of private subsidiary farms, above all on the basis of the conclusion of short-term and long-term contracts. Unfortunately, for the time being the effectiveness of the contracts is low—the co-operators exert weak influence through them in order to attain the cultivation of this or that agricultural product needed by the buyer, the terms of its surrender are not always set forth, etc.

And how much fruit and vegetable production does the rural buyer receive less because of the lack of capacity of our material-technical base of procurements. On the average for the Latvian Union of Consumer Cooperatives, the provision of vegetable storage facilities amounts to 58 percent, in the Limbazhi, Daugavpils, Bauska, and Tukums rayon consumer societies—even less (from 2 to 19 percent). In the Ventspils Consumer Society there is no storage facility at all. What is more, those that do exist are no cause for joy: Of 164 storage facilities, only 18 are built according to type designs.

A pickling and salting center that meets the demands made exists only in Aluksne, more or less tolerable centers in Tsisis and Valka, but in the remaining rayons they are very primitive—located in completely unadapted premises, which leads to great production losses in storage, to use mechanization here is impossible.

Trade has the right to make great claims to such of its suppliers of commodities as cooperative industry. Let us take the food industry. If recently in the republic's agriculture new approaches have become increasingly perceptible—intensive technologies, the collective contract, and labor incentives are being introduced, in the cooperative processing industry, in essence, everything is going in the old manner. The production rates are decreasing. All of this is the result of the fundamentally incorrect direction of the development of the processing industry. A network of medium and small plants has been created, working basically on planned raw material and actually duplicating the state industry. Our enterprises are prepared to process annually hundreds of tons of apples and basically into juice, but they are little fit for the processing of small batches of not very widespread, wild-growing and other types of raw materials. The share of canned goods being produced from raw material purchased at contract prices amounts in the total volume to only 5-7 percent, and of wild-growing raw material even less—1 percent. In the processing industry, the production of convenience foods and prepared dishes for the use in public catering enterprises and for sale through the trade network has not been developed.

An analogous situation exists in the cooperative production of non-food products. Sewing enterprises manufacture articles from fabrics of the marketable stocks, duplicating the assortment, moreover in the worse variant, of the state light industry of the republic. Extremely low are the rates of the production of articles made from utility waste and the waste of industrial enterprises.

In the retail commodity turnover of our republic union of consumer cooperatives, our own commodity resources occupy approximately 5 percent. The reserves for their increase, as we see, are far from being fully used. I suggest that what we need is a well thought-out and precise, comprehensive program of the development of production activity, a program that is calculated for the long term and takes into account today's requirements of restructuring and the new mechanism of management.

We connect great hopes for the improvement of trade with the introduction of economic methods of management. Self-financing, self-repayment, and economic accountability. These concepts not long ago were still perceived as theoretical terms, but today they have entered into the life of every trade collective.

The cooperative organizations and enterprises of Latvia during the past year have worked in the new conditions of management. It should be noted that the majority of them have utilized the advantages of the new economic mechanism, have begun to carefully calculate their incomes and expenditures and to give greater attention to economic methods of management.

The accustomed principle of "the plan—at any cost" is becoming a thing of the past. Now the collective establishes only that "price" which secures profitability. Many workers will have to learn anew, to understand the ways of the turnover of the ruble, for every ruble received as income simultaneously increases the deductions into the wage fund and into the fund for socio-cultural measures.

The economic methods of managing the cooperative economy open up broad scope for the manifestation of initiative, enterprise, and justified commercial risk. It is important that creative people, regardless of the line of their work in which they find themselves—as a salesman, a goods manager, or a director—receive the support in any useful initiative and are given material incentives depending on the results. Then others will also follow their example.

For the time being, poor use is being made of the possibilities of increasing the efficiency of trade, the improvement of the use of labor and financial resources, and the growth of labor productivity in the new conditions of management. The work on the certification and rationalization of work places has been dragged out.

The brigade form of labor organization and stimulation is being introduced very slowly in trade and public catering. As a result, this form of work with pay based on final results with the use of the coefficient of labor participation has not become basic, as this was envisaged. In some enterprises the brigades have been organized in a formal manner.

Such an effective form as the family contract in trade, where one family is involved in the work in a store, is also clearly underrated up to now.

As a whole, the Latin Union of Consumer Cooperatives, working in the new conditions, during 1987 received above-plan profits of more than 3 million rubles. All rayon unions of consumer cooperatives, consumer societies, and inter-rayon fishing producer associations fulfilled the plan for this indicator. The number of unprofitable enterprises decreased by almost one half.

A. Aruvald: In introducing the new economic mechanism, we are introducing a new principle of material stimulation. For example, bonuses are credited to managers with regard to the new indicators—the growth of commodity turnover, stable provision of goods to stores, observance of trade regulations, the supply of trade enterprises with cadres, etc.

Trade organizations are given the right to establish for enterprises within their jurisdiction (with the exception of enterprises operating on the basis of economic accountability), instead of a plan, an effective task and to pay bonuses, not for the fulfillment of the plan, but on the basis of other indicators (for the growth of commodity turnover, the observance of trade regulations and obligatory commodity assortment lists).

For top officials of the inter-rayon bases the dimensions of bonuses are set according to the fulfillment of the plan of commodity turnover of the retail network being served, the fulfillment of tasks with respect to the output of commodities, and the plan for profit. All of this had a positive effect on trade activity—the commodity turnover plan for 1987 was fulfilled, and the turnover of commodity stocks accelerated by comparison with the preceding year by 6 days.

During this year began the second stage of the introduction of the new mechanism of management, cooperative organizations went over to full self-financing. Deductions from profit are effected only on the basis of stable norms, which are established for the five-year plan and are not subject to change during this period. The entire amortization fund for complete restoration remains at the disposal of the organizations and enterprises. Consequently, all capital investments (both for the construction, as well as for the acquisition of fixed capital) must be financed from their own pocket. If their means are not sufficient, it is possible to obtain [means] from the

centralized fund of the republic union of consumer cooperatives on the basis of repayment and with the payment of 0.75 percent annual interest.

The new procedure for the distribution of profit grants greater independence to the collectives. Thus, the restrictions, what part of the profit must be directed into the fund for socio-cultural measures and housing construction, have been abolished. This is determined by real necessity and by the existing possibilities.

The transfer of organizations and enterprises to full self-financing promotes the more rational use of funds and the improvement of investment policy. To ensure it, it is necessary to revise the existing dimensions of trade discounts since for a number of commodities they do not correspond to the expenditures for their sale.

Let us sum up. Thus, no matter how complex the problems of present-day cooperative trade, there are quite a few ways of solving them. Some are already known, over the search for others one must brake one's head. The workers in trade must energetically restructure. It is time, after all, to learn how to trade.

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Formation of Consumer Protection Society Supported

18270004 Moscow *EKONOMICHESKAYA GAZETA*
in Russian No 37, Sep 88 pp 1-2

[Article by Yu. Tartanov, *EKONOMICHESKAYA GAZETA* editor of the section on labor and development of the social sphere: "To Protect the Consumer"]

[Text] How can we protect the interests of the consumer against damaged goods and against mediocrity and indifference in the sphere of services? Who will be the objective and unprejudiced mediator between the goods producers, the market and the consumers?

These are not idle questions. They are the focus of attention of the country's directive and economic organs. They are being discussed by the public with great interest.

Quite recently the USSR Council of Ministers adopted the resolutions entitled "On Measures for Increasing Production And Accelerating Supply of the Market with Consumer Goods," "On Immediate Measures for Improving Trade Services," and "On Measures for Radically Restructuring the Sphere of Paid Consumer Services." The outline of the Law on Quality is practically complete and will soon be presented for broad discussion. These important governmental decisions will undoubtedly have a positive effect. Yet in order for them to reach their maximal effect, both the labor collectives of the enterprises—the producers of the goods and services, and the local Soviets, and the consumers (buyers) themselves must participate actively and on an equal basis in their realization.

However, while the functions and tasks of the first two links of this chain are clear in principle, the third one—the consumers (buyers)—requires particular discussion. This is primarily because, as practical experience has shown, the necessary assortment and quality of goods and services may be ensured in full measure only if there is feedback from the consumer to the manufacturer.

Some printed publications already have reader consumer clubs. This measure, undoubtedly, is a useful one and deserves total respect and support, yet it is still only a half-measure. One of the newspapers believes that such clubs in the future will become the basis for a consumer's union. But why in the future? Why can't we lay the foundation even now?

In its article entitled "Who Will Protect the Consumer?" (No 25), *EKONOMICHESKAYA GAZETA* told of one of the means for realizing this idea—through the organization of the All-Union Society of Consumers. This is a society which would teach all of us—the buyers—to defend our legal rights and to be aware of them. It would encourage us to participate in the development of operational demands for consumer goods. The article evoked widespread reader response.

For example, S. Martynov, deputy chief of the Ivanovo oblispolkom department of prices, writes that the proposal on creating an All-Union Society of Consumers is an exceptionally timely one. The main point, he believes, is not even that the creation of such a society would facilitate more effective control work on the part of the price setting organs, for example, but that this society would encourage the economic management organs to act in the necessary social direction, at the same time involving them in this work.

Yes, one of the aspects of a strong social policy is expressed not only in a sufficient volume of production of consumer goods and services, but also in the output of goods which the buyer needs and which have high consumer qualities. Yet the situation with quality of our goods is far from favorable. More precisely, it is quite poor. According to the USSR Goskomstat [State Committee on Statistics], in the first 6 months of 1988 consumer complaints were filed for 1,314,000 television sets, of these 883,000 for color sets, 388,000 radios, 594,000 tape recorders, 169,000 refrigerators, and 172,000 washing machines.

The situation is no better with consumer services. In the 6-month period, almost 60,000 airline flights and over 50,000 railroad runs were late in arriving. Over a million telegrams were delivered late, while the number of unfilled orders for inter-city telephone calls comprised 115,000. Every year there are almost 100,000 complaints and claims filed by citizens regarding shortcomings in the sphere of consumer services alone.

The buyer must protest against the low quality of goods and the unacceptably narrow assortment not with his "feet," by walking away from the counters overflowing with shoes in search of imports, but by acting upon the manufacturer. **The monopolistic right of the producer to dictate his conditions on the consumer market may be stopped only by the organized consumer who has a widespread network of his own organizations, his own organs of information, legal status, and extensive rights.**

We will note now that we are by far not alone in the world in our desire to create a consumer's society. Such societies are already successfully operating in 66 countries, counteracting the "erosion" of cheap assortment, unsubstantiated price increases, manufacture of goods with low consumer qualities, and other negative phenomena which are an everyday "headache" for our consumer.

An example worthy of emulation may be the activity of the Association for Information and Protection of Consumer Rights in France, for example. The association numbers 1.2 million people. There is also a Federal Union of Consumers in that country, with its own press organ. It was this organization that several years ago called a demarche against the Renault company, which had manufactured one of its car models with a defect. The company made a hasty retreat, recalling several tens of thousands of automobiles for correction at the plant.

There are also more recent examples. The organization for "Protection of Consumer Interests," a public organization operating in the USA, noted that one company was manufacturing a baby bottle with a retainer ring that was too small, and there were cases of children swallowing this retainer ring. The organization helped the parents of the injured children bring legal action against the company. The company had to pay large fines and take such baby bottles out of production. Then an employee of TV Service Incorporated, one of the largest companies servicing televisions, radios and video equipment in Washington, tells us that in the 26 years that he has worked for the company he has not only never come across a case of spontaneous combustion of a television set, but has never even heard of such a case. The manufacturer gives a guarantee of up to 25 years. In his opinion, if even one television set manufactured by some company self-ignited, first the consumers would cry out against this company, then the jurists, and, of course, the press, and the company would have to pay out a great sum of money. This would also undermine its reputation.

We might add that an International Organization of Consumer's Unions has been created and is currently operating. Unfortunately, it is operating without us. Evidently, this is why cases which cannot be called anything but curious are possible. A week ago an associate of the Portuguese National Institute for Consumer Protection, Mario Besh Santush, visited our country. He was interested in the experience of our consumers in

their struggle "for their buyer's honor". Quite understandably, he left without being particularly burdened with any "innovations" in this regard. As yet our buyers have not learned to defend their honor.

Of course, it would be naive to think that foreign consumers, who have a system for defending their interests, achieve success in every case. They do not have that many rights to achieve this. Also, not all consumers have enough free time, sufficient knowledge, persistence and life experience to wage an effective battle against the companies who are "die-hards" in the national and world economy. It was not so easy, for example, to force that very same Renault to bow its head before the consumer. Companies, enterprises, stores, and campaigns also know how to defend their interests. The consumer's associations are waging an intense struggle against them. They are waging it with variable success.

Yet how defenseless and without any rights our buyer often appears in the face of the arbitrary nature of departmental instructions, the indifference of consumer services, the trade network and even—yes, even here, it seems!—the cultural institutions. This is why the editors get letters like the one which M. Yeroshenko from Oshsk oblast sent to us.

"The price of tickets," she writes, "has increased disproportionately with the 'achievements' of the actors. For a worker earning 150 rubles a month this is almost a day's pay. For a student and PTU [vocational-technical school] student it is almost a week's stipend. For what? For screaming, hoarseness and whispering of guest artists and home-grown performers? Let us speak frankly. Roughly counting, there are one or two good singers, and that's all. In the last New Year's concert, which was televised, the finale was a chorus of leaders of the stage. This was sad singing. Literally all my friends and co-workers thought so. I am not even speaking of the melody. Evidently, aside from the singers, no one remembered it. Let someone from your newspaper or your readers try to sing it. Admit it, you won't be able to. It may seem that the quality of singing has nothing to do with the topic of prices and quality of our cultural services. I say, however, that it does. After all, it is specifically for quality that we pay money, and considerable sums at that. So does that mean that they sang worse before? I think they sang better. Well, at least about the same. So why have they raised the ticket prices so sharply, increasing them many times over? And where do you complain? Who can best protect our interests in such cases? Evidently, only we ourselves can do that."

We must say, this is a characteristic letter for our time of practical matters and activization of the individual. In reality, today we cannot close our eyes to the problems which are coming to a head. We must learn to reject "unobtrusive service," the mercenary and at times bureaucratic aspirations. We must combat the lack of desire to approach a client with compassion. Finally, we must break the back of the most anti-human principle

for the entire non-productive sphere—"we are for them, and not they for us." Here it is very important to take as our allies the local Soviets, the trade unions, and the people's control, to actively utilize all the principles called upon to defend human dignity which are so abundantly embedded in our socialistic order.

But where should we begin? Let us think. Some people may probably have doubts. What are we talking about, if the conditions dictate a deficit? However, these doubts are hardly founded. It is specifically the consumers who can accomplish much in the struggle against the dictate of deficit, not to mention the question of "what is best to manufacture, and with what qualities." Here too we need not invent new solutions, but rather take a close look at foreign experience.

In Poland, for example, they have begun talking about the rights of buyers and created a Consumer's Federation when the store shelves were practically bare. They began humbly. Forty amateur enthusiasts—economists, journalists, scientific workers, and representatives of public organizations—developed the federation charter and registered with the capital's city administration. Soon the first congress of Consumer's Federation delegates was held, in which over 1,000 persons participated. Today there are over 12,000 members. The Federation is also a "guide" for the developing market of goods and services (it issues its own bulletin), an objective critic (it is happily given television air time), a useful advisor (scientific-research organizations and enterprises listen to its opinion), as well as a collective advocate (it defends consumer interests before the Femid).

It is specifically now, when the principles of the new economic management mechanism have not yet been practically realized in full measure, when the economic levers have not entirely gone into effect, the readers responding to the article "Who Will Protect the Consumer?" believe that the organization of a consumer society may augment their effect to a certain degree. "One way or another, we will come to the creation of a consumer society," believes VNIKS [All-Union Scientific-Research Institute on the Study of Public Demand for Consumer Goods and Market Conditions] worker V. Tolkachev. "This means that without losing time, we must already now establish a commission for its organization. And EKONOMICHESKAYA GAZETA must help in this endeavor as a collective organizer—that is one of its functions." Similar opinions were expressed also in many other letters received by the editorial staff.

Meeting these wishes halfway, our editorial staff is planning to hold a meeting of the "Business Club" in the near future, which will be devoted to the problems of organizing a consumer society. Naturally, this society would be organized on a voluntary basis. Representatives of the USSR Minyust [Ministry of Justice], AUCCTU, USSR KNK [Party Control Committee], Komsomol Central Committee, USSR Mintorg [Ministry of Trade] and Minzdrav [Ministry of Health], the editorial boards of

economics journals and various public organizations, as well as our readers themselves have already expressed an interest in participating in this business meeting. We hope that the meeting will help us to proceed more quickly from the idea of creating a consumer society to its realization. The consumer must become the master of the market for goods and services.

PERSONAL INCOME, SAVINGS

Study of Family Budget Planning Found Useful

Family Expenditures Presented

18270023 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 40, Oct 88 p 14

[Article by V. Khrebtov: "The Balance of One's Pocket"]

[Text] Counting someone else's money is an unseemly business. However, the country's statisticians do this regularly. Their accounting lists literally every kopeck spent by each of thousands of families being studied. Even the "dvushka" dropped in the pay phone is reflected in the report. Why do we have to do this?

The Krasnoyarskiy Kray Statistical Administration is surveying the budgets of 1,045 families who voluntarily decided to keep (from day to day for many years!) a family spending record.

"To be sure, it is not a simple business," says chief of the Budget Statistics Section L. Utkina. "I myself once tried it but it didn't work. Great alertness, a good state of discipline, and the most complete confidence of family members in each other in relation to expenditure of their funds are needed."

"If we are speaking about the desirability of conducting detailed studies, we have no doubts at all on that account," continues Larisa Yevgenyevna. "Many practical tasks of socialist construction will be solved with the data collected and processed. For example, the budget data characterizes the differences in income levels of the population and is used in regulating growth of wages by region and branch-of the economy. Moreover, a study of family incomes enables pay and privileges from social consumption funds to be distributed correctly. The data of the surveys were used in preparing the Law on Pension Provisioning. Many other socio-economic changes in the execution of which our surveys have proved to be of great help can be named."

In particular, Krasnoyarskers Valentin Ivanovich and Galina Pavlovna Berezhnykh helped the statisticians to understand the mechanism of keeping a family budget.

The head of the family—an engineer at one of Krasnoyarsk plants—has a monthly income of 341 rubles. His wife, also an engineer, earns 260 rubles. Each month they put into the pot 100 rubles from their son, who lives in his parents' apartment together with his wife and a

recently born baby. Berezhnykh's young daughter is studying in a teacher's school and has no income at present. Thus, each month this family's budget is 701 rubles.

Exactly half of that sum goes to food. While trying not to deny themselves food, the family nevertheless has organized its ration in such a way that milk and vegetable products predominate in it. Valentin Ivanovich—an avid devotee of tourism and outdoor winter swimming—calculated the number of calories necessary for maintaining a healthy life for each member of the family and they try to stick to his recommendations.

The remaining 350 rubles are spent on payment for housing, two insurance policies, deductions for the pass-book (50 rubles), payment for credit (32 rubles), meals in the factory dining room (33 rubles), transportation costs, the purchase of commodities other than food (bought mainly by the family), and for buying tickets to the theater, the cinema, concerts....

Unfortunately, many families do not know how to keep their budget. You will be surprised at how they have managed to make ends meet prior to being paid or to getting a partial payment. Life based on the principle "from payday to payday" engenders a lot of personal inconveniences. Succumbing in a moment of weakness and buying something unnecessary "without a second thought," we thereby force ourselves to go into debt. Our worries also are increased in direct proportion to their growth: where will we get the money to cover the debts?

"Actually," continues L. Utkina, "confusion in consumption of the family budget is a big social evil. There is no other way to put it. Judge for yourselves."

"We have all heard from acquaintances and friends complaints to the effect that some person gets little. And now this man's pay rate has been raised. Does this mean that he has finally satisfied his needs? By no means! Again, there is no money. So is income really the problem?"

Larisa Yevgenyevna pointed out to us as an example a family balance reached by one poorly paid family. The unwed mother with a two-year old in her arms, and with a monthly income of 188 rubles 84 kopecks, spends money in such a way that she even has some savings. In so doing, she does not deny herself either food or commodities of daily need. This family requires 49.6 kg of meat, 142.5 liters of milk, 4.5 kg of oil, 180 eggs and 100 kg of vegetables per year. In the apartment is a color television, a radio, an electric record player, two refrigerators, a washer, a sewing machine and an electric vacuum. And nothing in excess.

It is a matter not just of the total income but, the main thing, its correct distribution.

The Berezhnykh family is extremely thrifty in spending its earnings, but its thriftiness being extremely far from miserliness. Each member of the family knows where the money is and can at any moment take it and leave to make a purchase. With only one stipulation: he has been interested in it from the start and the given purchase has been planned. If not, then it is better to wait for a family council and everyone decides on it.

The skillful hands of Valentin Ivanovich and Galina Pavlovna have saved no small sum on articles of consumption. Suffice it to say that the overwhelming majority of the sewn articles were made by the hands of the mother, the daughter or the daughter-in-law. They were made completely elegantly and with taste. Moreover, the clothing created by one's own hands wears well and is made more carefully than purchased clothing.

The head of the family and the son do the heavy work around the home. Articles they have made from wood are multifunctional. For example, the daughter's bed can, when necessary, be quickly converted into a stand or a table for ironing linen. A recess in the hallway that has been modified has forever saved the family from spending on the purchase of cabinets.

Valentin Ivanovich's vacation trips have given the family budget no few savings. Not to a southern sea but to Siberia's taiga rivers. Floating down them on timber rafts is an excellent and, moreover, inexpensive kind of recreation.

"Some of my co-workers have a certain attitude toward our striving to save money that is extremely ironic," the head of the family confides. "But indeed there are all kinds of savings. An acquaintance recently came to me and said: 'For several years I have been saving money, and the pile of denominations is growing. It's time now to spend it, but I'm afraid to take it....' This is what aimless accumulation leads to."

Workers of the statistical section of the Krasnoyarskiy Kray Statistical Administration, in studying the questionnaires filled out by their "charges," see, as in a mirror, all the social changes that are occurring in the kray and in the country. For example, with the phenomenon of cooperatives, consumption has grown greatly (especially in young families) for buying clothing and fashionable commodities. Statisticians of the kray's statistical administration do not in most cases simply retain nonstandard statistics: they report to economic, party and soviet supervisors all changes in family budgets and give recommendations about how better to adjust the supplying of commodities to the public and about what services to extend, primarily. Unfortunately, in many cases their recommendations are not supported. And meanwhile....

"Most astonishing," says V. Berezhnykh, "is the fact that a scrupulous recording of the family budget has disciplined all members of the family, not only at home but

also at work. I, for example, cannot ignore wanton wastefulness today—it sickens me. The habit of estimating everything down to the kopeck of income and expenditure—this is what we are missing most of all in the economic reform now in effect. Take the economically accountable collectives, where the antispending mechanism is operating effectively—all funds are accounted for most strictly there. I think that also at home, members of such collectives have a more diligent attitude toward the family budget."

Valentin Ivanovich continued:

"In the stores we all meet tender-hearted mamas who readily respond to any whim of the child and buy him anything pleasing. Such acts of the parents are nothing but indoctrination in consumption. Pardon the banality, but children should learn the value of money and things when young. Without inner financial sophistication of a person, we do not escape wastefulness at home or during production.

"And so, keeping a family budget will help people to spend their earnings more rationally, it disciplines them and indoctrinates them and their children, and it helps to avoid such vices as aimless and boundless accumulation and wastefulness."

As for the research of the statisticians, they can be truly called the "compass" for "captains" of industry and local soviets. Such research points out the true course for developing the production of consumer goods and services.

Goskomstat Budget Figures

18270023 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 40, Oct 88 p 14

[Article: "Budget of the Family of a Blue-Collar Worker and a White-Collar Worker"]

[Text] With a view to studying the material and cultural standard of living of the populace, organs of state statistics are systematically conducting a selected survey of the budgets of 62,000 families. This survey has been conducted since the first years of Soviet power. A number of such surveys were conducted throughout various regions of the country prior to 1917.

Data that characterize changes in the structure of income and expenditures of families surveyed throughout the USSR as a whole are cited below.

The aggregate income of a family is the sum of the money and benefits (in monetary terms) from state and cooperative enterprises and organizations, from kolkhozes, and from personal plots, as well as credits and privileges obtained from social consumer funds (including free education, medical treatment, and so on).

Structure of Income and Expenditures of a Blue-Collar or White-Collar Family (in percent)

	1970	1980	1985	1986
Aggregate family income	100	100	100	100
Wages of family members	70.1	69.1	67.3	67.1
Pensions, stipends, allowances and other credits and privileges from social consumption funds (including free education, medical treatment, and so on)	20.9	21.9	23.2	22.9
Income from personal subsidiary plot	3.8	3.0	2.8	3.0
Income from other sources (receipts from relatives, for work done for individual citizens, for alimony, and so on)	5.2	6.0	6.7	7.0
Use of aggregate income	100	100	100	100
Including:				
—For food	34.6	30.8	28.6	28.3
For acquiring:				
—Cloth, clothing and footwear	15.4	15.9	15.4	15.0
—Furniture and articles for culture and daily use (including cars, motorcycles, bicycles, and so on)	5.8	7.1	7.4	8.0
—Building materials	0.5	0.5	0.6	0.6
—Fuel	0.4	0.3	0.2	0.2
—Alcoholic beverages	3.2	3.1	2.6	2.2
For social, cultural and domestic services	22.7	22.9	23.5	23.2
Namely:				
—Education, medical care and other free services, through social consumption funds	13.6	14.1	15.1	14.8
—Payment for apartments, municipal services and maintenance of a private house	2.5	2.6	2.6	2.5
Accumulations (increase in cash on hand, deposits in savings boxes, cost of accretion of cattle, poultry and products of personal plot, and so on)	3.9	4.8	6.6	7.3
Taxes, collections and payments	7.1	7.8	8.0	8.1
Other expenditures	6.4	6.8	7.1	7.1

EDUCATION

Draft Statute for Secondary Education Restructuring Published

Discussion of Draft Statute Urged

18280002 Moscow UCHITELSKAYA GAZETA in
Russian 16 Aug 88 p 1

[USSR State Committee on Public Education: "We Shall Take a Decisive Step in the Restructuring of the School"; first two paragraphs are source introduction]

[Text] *Today we are beginning publication of a whole series of documents outlining the immediate future of our public education. The first of these is the draft Statute on the Secondary General Education School, which is being published in this issue. It was prepared by the USSR State Committee on Public Education on the basis of a draft by the "Base School" Temporary Scientific-Research Collective. The suggestions made by scholars, teachers and others employed in public education were taken into account during the preparation and discussion of the draft.*

It is essential that these documents are read in every school and discussed by every teaching collective. Let careful and concerned thought be given to every line by teachers; by party, trade union and Komsomol workers; by people in industry; by scholars, parents and the broader community—by everyone who is vitally interested in the renewal of the schools. The renewal of the schools and the development of viewpoints on the most important aspects of school life must be a component of the work undertaken at the August conferences, which are beginning.

Respected colleagues!

According to established tradition, conferences for workers in public education will be held in August, just before the start of the new school year. The coming school year has particular significance for us: all of us, from the leaders of the USSR State Committee on Public Education to the rural teacher, are facing an examination before the party, the people and our students. It is an examination of our professionalism, of our love and devotion to our work, of our goodwill and of our fairness. The time has come to take a decisive step in the restructuring of the schools. A step in the direction of efficiency, honesty and adherence to principle. The success of the fundamental changes in school life stipulated by the party depends first and foremost on the self-sacrificing creative labor of every teacher, instructor, child development worker and director of an educational institution.

Before the start of the August conferences UCHITELSKAYA GAZETA and other mass information organs are publishing drafts of fundamental documents, including one on the concept of secondary education, as well as the Statute on the Secondary General Education School. One of the conference tasks is to discuss these drafts

most carefully and painstakingly; to look at them through the eyes of practicing teachers and to apply to one's own school, to oneself and one's pupils the basic principles of school restructuring. These documents have been prepared in accordance with the political recommendations of the February (1988) plenum of the CPSU Central Committee on the basis of a careful analysis of the current state of affairs. They are invested with the labor and passionate desire of many teachers and pupils to turn our schools toward the individual, to return to them the trust and love of the people, to make them a home for every child.

Your opinion, your experience and your knowledge of all the details and the fine nuances of school practice are an invaluable resource, without which it is impossible to create a living, self-regulating and self-improving system of public education. It is essential to have your balanced, collective opinion on the content and form of these documents to further refine them before they are discussed and approved at the All-Union Conference of Public Education Workers in November of the current year.

We hope that our joint efforts will be successful in creating documents imbued with the spirit of the 19th All-union party congress, with its openness, its honesty, its pain at failure, its optimism and its belief in the reason and faith in the people.

This year the participants in the August conferences will include workers not only from the general education schools but also from vocational-technical schools, from higher and secondary specialized educational institutions, as well as from preschool and out-of-school care institutions. This will be the first strike against the inter-departmental barriers, which for many years made it difficult for us to combine forces, to consult and to support one another in the common cause of raising and teaching the younger generation. Let every participant add his bit of valuable experience to the general pot, let him contribute to viewing the common problems from various viewpoints.

An important task of the conferences will be the development of new ways of managing the system of public education and of new approaches to the management of educational institutions based on broad democratization, glasnost, and participation in school affairs by students, as well as by broad strata of the community. Rayon (municipal) councils on public education are to be chosen, and the initial experience with the operation of the school councils must be shared.

The country has entrusted to us work of enormous importance: raising and instructing the new generation of Soviet people. The knowledge which we impart to the young people and those moral qualities which we instill in them will determine in large part the future of the country and the quality of life for the Soviet people. And

here a decisive condition is not only pedagogical mastery, but our conscience, our feeling of responsibility and respect for the dignity of our pupils.

Respected comrades! The decisions of the party have determined the directions for the development of public education. The success of the cause lies in the hands of each of us. Any problems can be solved if we work at solving them instead of waiting for someone else to do it for us. We need to determine our own paths and opportunities within the school restructuring in order to make the strongest possible contribution to the common cause and to achieve the initial shifts in the specified direction. This is the guarantee of great and long-awaited changes in the future.

Collegium of the USSR State Committee on Public Education

Draft Statute on Secondary Education

18280002 Moscow UCHITELSKAYA GAZETA
in Russian 16 Aug 88 p 2

[Document prepared by USSR State Committee on Public Education: "Statute on Secondary General-Education School: A Draft"]

[Text] 1. The Soviet general-education school is a democratic, constantly developing societal-state institution, which ensures the realization of the educational needs of the individual, of society and of the state. The general-education school is the basic unit in the system of uninterrupted education and offers to all USSR citizens equal opportunities to continue one's education and choose a life path in accordance with the calling, interests and capabilities of every person.

2. The main mission of the Soviet general-education school, which has a single foundation but differs in the content, forms, methods and organization of formal and informal instruction, is the establishment of the most favorable conditions for the mental, moral, emotional and physical development of the individual; for the maximum discovery of his capabilities; for the formation of a communist worldview and for the development of humanist values and the new thinking. The school is called upon to help the young person develop a conscious position as a citizen, as well as to prepare him for life, labor and socially-creative work, to participate in democratic self-government and to accept responsibility for the fate of the country and human civilization.

3. The school is responsible to society and the state for realizing the individual pupil's right to education, for ensuring that the forms chosen for the organization of the academic and personal development process correspond to the growth and other psycho-physiological characteristics of the children, and for seeing that pupils demonstrate qualitative mastery of the essential requirements of an education, which is changing as a result of the country's scientific-technical and social progress.

The state presents to the school the material-technical, personnel and other resources necessary to achieve the level of the essential requirements for an education. The school, together with society, creates every possible condition for the free satisfaction of the pupils' needs to obtain an education which exceeds the level of the essential requirements.

4. The school possesses independence in the organization of the educational process, as well as legal and financial independence. It carries out its activities according to the principles of self-management, glasnost and democracy, taking into account the local socio-economic conditions, as well as nationality and regional characteristics, in accordance with the USSR Constitution, the constitutions of the union and autonomous republics and the legislation concerning public education.

5. On the basis of this statute every school works out its own charter, in which the norms and rules of the life of the collective are determined with consideration for its characteristics and developmental prospects, as well as the rights and obligations of the members of the school collective.

I. Structure and Foundation of the Work of the School

6. The general-education school consists of three stages: the first stage is elementary school (3-4 years); the second stage is the basic school (5 years); the third stage is secondary school (2-3 years). The stages of the school correspond to the three basic stages of early human development: childhood, adolescence and youth.

Preschool upbringing and instruction constitute the preparatory stage of elementary education.

7. The first stage school is called upon to ensure the formation of the child's personality and the integral development of his capabilities, as well as to foster in the school child the ability and desire to study. In elementary school, pupils acquire the necessary skills and habits of academic activity: they learn to read, write and count; they master the elements of theoretical thinking, of speech and behavior, as well as the basics of personal hygiene and a healthful way of life. At this stage of the school academic subjects take the form of integrated programs which instill initial ideas about nature, society, man and his labor.

In the elementary school optional classes in the areas of physical, esthetic or labor education, foreign languages, etc., may be introduced.

8. The second-stage school (basic school) builds a firm foundation of general-education preparation, which the graduate needs in order to continue his education and to fully join in the life of a socialist society. It ensures the development of the pupil's personality, his inclinations

and capabilities for social self-determination; it also provides for a deep mastery of the foundations of science and the formation of scientific world view.

At this stage of instruction introducing supplementary subjects on the basis of choice (in addition to mandatory subjects, which occupy 75-80 percent of school time), elective courses and a system of extracurricular studies has the aim of developing more fully the pupils' inclinations and abilities. Instruction in the basic school can be carried out according to curricula of various levels.

9. Attendance at the basic school is mandatory. Graduates of the basic school continue to receive instruction in the secondary general-education school of the third stage. They also have the right to continue their education in vocational schools of various types with programs lasting varying periods of time, or in evening and correspondence general-education schools of the third stage.

10. The secondary school of the third stage provides for the completion of the general-education preparation of pupils on the basis of a broad and deep differentiation of instruction; it creates the conditions for the maximum consideration of pupils' interests and for their active inclusion in the life of socialist society. For this purpose the curriculum of the third stage school includes, along with the mandatory subjects, subjects which the pupil himself can choose.

In order to encourage pupils to study on their own, the mandatory weekly load at the third stage school is reduced substantially in comparison with the previous stage.

For more extensive specialization the school council may make a decision to introduce into the school one or several types of specialized instruction (in the humanities, in the physico-mathematical sciences, in the chemical-biological, or technical sciences, in agriculture, in economics, etc).

Labor training is structured with consideration for the type of instruction chosen by the pupils.

11. Instruction at every stage of the general-education school ends with examinations.

The procedure by which pupils are moved through the stages of the school and graduate is determined by the USSR State Committee on Public Education.

Pupils can be excused from the examinations required for passing to the next stage or for graduating if a medical commission concludes that there was illness. The list of illnesses which give a pupil the right to be excused from examinations is established by the USSR State Committee on Public Education along with the USSR Ministry of Health.

When instruction in the second stage school is successfully completed, a certificate testifying to completion of the basic school is presented, and if particular success was achieved, a certificate with excellence is issued.

Graduates of the third stage school receive a diploma (attestat) of secondary education. Those who have achieved particularly good results are awarded gold and silver medals. Pupils who have distinguished themselves in the study of particular subjects are awarded certificates.

It is forbidden to issue official references (kharakteristiki) for graduates of the second and third stages of the school. The school council may issue recommendations for continuing education or starting work in accordance with the interests and characteristics of each pupil at the request of pupils, their parents or organizations.

The form and procedure for the presentation of certificates marking the completion of the basic school and the diploma (attestat) for secondary education, as well as the description of the gold and silver medals is established by the USSR State Committee on Public Education.

12. Various types of general education schools may be created for the purpose of ensuring the accessibility of general education and creating the most favorable conditions for the development of pupils' interests and capabilities. The diversity of the types of schools, their internal arrangements, content, methods and forms for the organization of the educational-developmental process results from the pupil's differing educational needs, the level of their preparation and state of their health, the specific socio-economic development of the region, its nationality and cultural-historical traditions, as well as the features of the pedagogical orientation of the various school collectives.

The choice of any given type of school is made by its council in agreement with the local soviet of people's deputies.

13. Depending on local conditions, schools of the various stages can be established and housed separately or in a single complex.

In order to help pupils who are not coping with the curriculum within the framework of the essential requirements, pedagogical support classes, remedial classes and auxiliary schools are organized. The rehabilitation of children's health is carried out in convalescent schools and sanatorium-schools located in the countryside. In order to prepare children who will attend a school where instruction is not in the native language, as well as children who did not attend preschool institutions, preparatory classes are opened in schools.

Where necessary, boarding schools (dormitories) with the appropriate staff are set up, as are groups providing extended-day and full-day programs, which are filled on a voluntary basis.

Evening and correspondence schools for working youth are opened primarily on the basis of the third-stage schools (also divisions). In these schools pupils can receive a secondary specialized education which interests them or supplement one type of general-education preparation with another.

14. The procedure for opening, reorganizing and closing schools is determined by the local soviet of people's deputies.

15. The enrollment of children in a school takes place, as a rule, no less than 10 days before the start of the academic year and is made official by an order of the school director.

Six- or seven-year-old children who have achieved functional school maturity, which is determined at age five or six by a medical-pedagogical commission and the school psychological service, are accepted into the first grade.

Every child may attend any school. The number of first grade classes in a school is determined by the school council in accordance with the local soviet of people's deputies.

Pupils retain the right to transfer to another school at any time during the entire academic year and at any grade level.

Foreign citizens and persons without citizenship living in the USSR are accepted in the general education schools on the same basis as Soviet citizens, and they have the rights and obligations established by legislation of the Union of SSR's and this Statute.

Citizens of foreign states accepted into the general education schools on the basis of inter-governmental agreements concluded by the USSR with the respective foreign states, enjoy the rights and have the obligations established by this Statute. In those cases in which other rules are stipulated by an intergovernmental agreement, the rules established by the agreement apply.

16. Medical service for pupils is provided by medical personnel who are especially assigned to the school; they are responsible for the health and physical development of the children, for the implementation of treatment and preventive measures, for the observance of public health standards, for the quality of food and the conditions under which it is served to the children, as well as the size of their physical and mental work load.

The school psychologist provides psychological support for the teaching process.

17. Pupils in the school personally or through their parents (or persons substituting for them) have the right to demand the establishment of the organizational, pedagogical, academic, material and public-health conditions necessary to obtain a sound education, to choose specialized streams and forms of instruction, to determine the rate and time periods for mastering the mandatory or higher level of education, and to choose an individual program of instruction.

Individual programs and educational plans can be introduced for pupils who have fallen behind as well as for the most successful, if they desire to take advantage of out-of-school facilities for all or some subjects.

II. The Organization of the Educational Process

18. The organization of the educational-developmental process is built on the pedagogically grounded choice of curricula, programs, means and methods for teaching and raising children.

The tasks of raising children and adolescents are realized through the joint activities of the pedagogical collective, the Komsomol and Pioneer organizations, the parents and the community. The upbringing process is based on cooperation between children and adults, and on collective creative activity, which has individual and social significance. Various clubs, sections, circles, study groups and other amateur associations may be established in the school. The school facilitates their activities in every possible way, without violating their independence.

19. The date for the start of the academic year is determined by the local soviets of people's deputies. The length of the academic year must be no less than 34 weeks, not including practice, and 30 weeks in the first grade.

The length of vacations is established as follows: in the course of the academic year they are to be no less than 30 days, and in the summer no less than eight weeks. The school council works with the local council on public education to choose one of two vacation schedules during the academic year: 1) fall holidays of eight days, winter holidays of 10 days and spring holidays of 12 days; or 2) five one-week holiday periods after every six school weeks. Additional week-long holidays are established for first grade pupils.

It is forbidden to divert pupils for agricultural or other work unrelated to the educational process at the expense of classroom time.

20. The daily number, length and sequence of academic classes is determined by the school schedule, which is established by the school director. The school council establishes the length of the school week (five or six days) and the amount of time devoted to each academic

subject within the limits of the educational time stipulated by the curriculum. The breaks between classes are determined with consideration for the need to provide pupils with active recreation and a hot meal.

In order to strengthen pupils' health and physical development physical exercises, which are in addition to physical education lessons stipulated by the schedule, are carried out every day at the school, in the open air, as a rule, for no less than one hour.

21. Homework is not mandatory. It can be given to pupils with consideration for the psycho-physiological and pedagogical requirements and the individual characteristics of every child.

Homework is not assigned in the first grade.

22. In the first two years of elementary school only a qualitative evaluation is given. In the third and fourth grades this is supplemented by a numerical grade: 5 (excellent); 4 (good) and 3 (satisfactory). At the end of the year comprehensive grades are given. Pupils who have not mastered the curriculum do not pass.

On the basis of a decision by the school council, pupils in the first-stage school who have not passed may be held back to repeat a course of instruction using, where necessary, an individual educational plan.

With regard to pupils who have repeated a course twice, the school council, taking into account the conclusions of a medical-pedagogical commission, provides recommendations concerning their placement in remedial or auxiliary academic institutions.

23. At the second and third stages of school, evaluations of current progress in all subjects may be expressed—at the discretion of the teacher—in numerical grades, in points or qualitatively. Based on a decision of the school council, intermediate comprehensive grades expressed on the five-point scale are assigned for each quarter and half-year. The mark for the year, expressed on the 5-point scale, cannot be lower than the average of the quarter and half-year marks.

If a pupil disagrees with the year's mark assigned to him it is possible for him to rewrite the corresponding exam.

24. The need to hold transfer exams is determined by the school council. Transfer and graduation testing may take the form of either exams in the various subjects or assignments which are comprehensive, creative and theoretical or practically-oriented in nature.

Pupils can be released from transfer examinations in subjects for which they received excellent marks for the year.

25. Pupils who have not passed certain courses specified in the state requirements can, by a decision of the school council, be transferred into the next class or can be graduated from the school with a diploma or certificate saying "not attested."

26. Pupils who complete the second stage school and who have not mastered the curriculum at the level of the essential requirements, are provided with additional opportunities to finish their education, including the chance to study according to an individual plan.

Pupils who complete the third-stage school and have not passed examinations in certain subjects have the right to retake them within a month after the submission of a personal application.

27. In cases where the norms and rules of collective life are violated, where disrespect is shown to people or the school's property and equipment are damaged, measures stipulated by the the school charter may be applied to the pupils.

28. When the conditions exist for a pupil to obtain a specific trade or skill while still at school, the graduate who has passed qualifying examinations or met other qualifying requirements, is issued a certificate testifying to his skills, which gives him the right to go to work in the corresponding occupation. The grades, classes, and categories of skills, as well as the trade (specialty) awarded to graduates, are mandatory for all enterprises, institutions and organizations.

III. Management of the School

29. The societal-state management of the school is carried out according to the principles of glasnost, democracy and socialist self-government. The school collective, which includes pupils and school employees, carries out its tasks in close cooperation with the parents and broad community.

30. The conference is the highest organ of self-management of the school.

Delegates with the right to cast a deciding vote are chosen for the conference by meetings of the collectives of 1) pupils, 2) school workers, 3) parents and representatives of the community in equal numbers from each of the three above-enumerated categories.

The conference:

—chooses by direct secret ballot the school council, its chairman and the school director, who is approved by the local council on public education;

—approves the school charter and makes essential amendments to it;

- determines the basic directions for improving and developing the school, for raising the quality and effectiveness of the academic-developmental process, for raising supplementary funds and improving the physical facilities of the school;
- when necessary creates temporary or permanent committees, headquarters and councils on various aspects in the work of the school and establishes their powers.

A conference is held no less than once a year.

31. In the period between the conferences the school council acts as the highest organ.

The school council:

- monitors the fulfillment of decisions taken by the conferences of the school collective, as well as the realization of proposals and critical comments made by members of the collective;
- represents, along with the director, the interests of the school to state and public organs; plans for the development of the school;
- represents, along with parents or their substitutes, to the state and public organs the interests of the pupils, by providing social protection of minors during the consideration of issues related to the determination of their fate; takes upon itself the obligations of collective guardianship of children lacking parental care until the question of guardianship is resolved according to the established procedure;
- based on the ideas of the school's methods council, it determines the content, methods, means and forms for the organization of instruction and development of school children (curricula, programs, ways to provide specialized instruction and labor training, etc.), ensuring in the process the achievement of the state level of the essential requirements for education and taking into account the interests and needs of pupils, the demands of socio-economic development, and the national and cultural-historical traditions of the region;
- establishes the conditions for the operation of the school (length of the school week and duration of classes, the intake of six- or seven-year-olds into the first grade, the language of instruction, the system for the evaluation of progress, the pupils' uniform, clothing, etc.); in case of necessity changes, in consultation with the council on public education, the dates for the beginning and ending of the school year and school holidays;
- monitors control over the selection and placement of teaching personnel and other school employees; takes the initiative in cancelling labor contracts with people who are not suited to the position which they hold;

- determines the procedure for awarding certification of the teaching employees of the school; makes suggestions on teachers' skill categories to the qualifications commission of the republic's ministry of public education; nominates teaching personnel and other school employees for government awards, departmental rewards and monetary bonuses from the school's funds;
- supports community initiatives on improving and developing the instruction and upbringing of young people, as well as the creative research and experimental work of teachers; determines ways for the school to interact with scientific-research, production and cooperative organizations, voluntary societies, divisions of the creative unions, other state and public institutions in order to create the necessary conditions for the all-around development of pupils and the creative activity of teachers.
- controls the efficient expenditure of budget appropriations for the school; forms its own school fund, using various sources of financing; provides for the centralization of school resources for the resolution of future questions related to its development;
- hears reports on the work of individual teachers, the work of the school's director and his deputies, and makes proposals on whether to extend or cut off their powers; as well as proposals on how to improve their work;
- takes the necessary measures—within the framework of the existing legislation—to protect teaching personnel and the school administration from unwarranted interference in their professional and other official activities; stops any attempts to institute a dictatorial style of administration in relation to the school collective or to limit its independence; and on these questions joins with the appropriate party and soviet organs, as well as the organs for the protection of the law.

The school council works in close contact with the administration, and with the party, trade union, Komsomol and Pioneer organizations.

32. The school council includes representatives of 1) the teaching staff, 2) pupils of the second and third stages, and 3) parents and the community, with one-third coming from each of these categories.

The school charter determines the number of members on the school council. With each set of elections no less than one-third of the council membership, as a rule, is replaced.

In order to resolve current issues the school council can elect from its own membership a bureau and a conflict and revision committee, the functions and powers of which are defined by the school charter.

The school council meets no less than four times a year.

The members of the school council perform their duties on a voluntary basis.

The conference can remove a member of the council before his term is up. A decision of the school council passes if no fewer than two-thirds of the council members present at the session vote for it, provided there are representatives present from two-thirds of the categories of the the council membership.

The school council decisions adopted within the framework of its powers and in accordance with the legislation are mandatory for the administration and for all members of the school collective.

A member of the school council may demand the discussion of any question if a third of the council members support the proposal to raise it.

33. The director manages the work of the school.

The director of the school:

- plans and organizes the educational-developmental process, monitors its progress and results, and answers for the quality and effectiveness of the school's work.
- selects deputies and determines the extent of their obligations, assigns teaching personnel within the school, appoints class leaders with consideration for the opinion of pupils and parents; hires and fires teaching, administrative, auxiliary-educational and service personnel;
- calls, as often as necessary to resolve current issues of the school's academic-developmental work, educational conferences of all or of specific categories of school employees.
- creates conditions for the creative growth of the school's teaching staff, for their application of advanced forms and methods of labor, and for the implementation of teaching experiments;
- organizes the efficient utilization of allotted state appropriations, as well as monies from the school fund;
- is responsible for his own work to the school council, and to the local council on public education and reports to them periodically.

34. In order to develop and improve the educational-developmental process, as well as to increase the professional skills and creative growth of teachers and others concerned with children's development, the school's methods council is established; it is a collegial organ, which brings together teaching personnel.

The methods council discusses and makes choices concerning various alternatives for educational content (curricula, programs, textbooks, etc.), as well as the forms and methods of the educational-developmental process

and ways to realize them; organizes work to improve the skills of the teaching staff, to develop their creative initiatives and to disseminate the best experience; makes decisions on all other questions of teachers' professional activities.

Sections, which may be devoted to a particular subject, and associations, etc., can be created as part of the methods council.

The chairman of the methods council is elected by a collective of the teaching personnel.

The procedure and conditions of operation for the methods council is determined by the school's charter.

35. In accordance with the Komsomol Charter and the Statute Concerning the All-Union Pioneer Organization imeni V.I. Lenin, Komsomol and Pioneer organizations, as well as Oktyabryata groups, are established and operate in the school. The Komsomol and Pioneer organizations are called upon to take a leading role in the pupils' collective and in the organization of its self-management, as well as to show concern for the improvement of the educational-developmental process and for the development of democratization and glasnost in the school, to work for the fulfillment of obligations and to defend the rights of pupils specified by the school charter.

The Komsomol and Pioneer organizations in the school are empowered through their own representatives to participate in the discussion and adoption of decisions at sessions of the school council and in conferences held in the presence of the director, to obtain from the school administration the essential information regarding the educational-developmental process, and in the course of teacher certification to express opinions with regard to their interaction with the pupils.

The relations among the teaching collective, the management of the school, and the Komsomol and Pioneer organizations are built on mutual respect, trust, responsibility and cooperation. In the process the teaching collective and the leadership of the school are obliged to create the conditions for the development of pupils' initiative and creative work.

In coordination with the municipal and rayon committee of the Komsomol, a combined Komsomol organization with teachers and pupils may be created.

36. The primary organizations of various voluntary societies are established in the school; they structure their work in accordance with their charters and statutes.

IV. Financial and Physical Facilities of the School

37. The state and society guarantee financing for an education, which ensures an effective educational-developmental process.

38. The school's financial resources come from budget appropriations and the school's own funds.

Budget appropriations are transferred to the school's account in the Zhilsots bank. The funds which make up the school's own fund, are kept in its current account in a division of the Sberbank. Financial transactions on both accounts can be made with payment orders or by check.

39. The monies appropriated annually by the state are the main source of budget allotments for the school. The minimum amount of these funds is determined on the basis of the existing state norms for the education expenditures. The norms are established with consideration for the characteristics of the region, the type of school and the number of pupils.

When new academic subjects or courses are introduced in the school or experimental work is being carried out based on a decision of the regional council on public education, the local organs of power produce additional financing and the necessary equipment and facilities for the school.

Special-purpose experiments on the development of education, as well as experimental schools and other types of schools which have put forward promising teaching programs, may be financed from the centralized fund of the USSR State Committee on Public Education.

40. The school's own fund comes from the following main sources:

- payments from the local budget for the school development program;
- special-purpose investments from ministries, industrial agencies, base and other enterprises, state institutions, VUZ's, public organizations, associations, cooperatives, etc.
- voluntary payments by parents and other citizens;
- income from paid services rendered by the school, including rental of school premises and facilities, inventory, equipment and other resources;
- income from the economic activity of the school itself (school farms, associations, shops, pupils' production brigades, collective contracts, etc.).

The development of school farms is one of the main concerns of the school collective. These farms are the most effective way to combine instruction and productive labor and to include pupils in the basic production relations which exist in the society.

The expenditure of funds raised by the school is monitored by the school council, including expenditures for

—supplements to state salary and wage rates for administrative, teaching and auxiliary personnel, and for bonuses awarded to school personnel;

—incentive stipends and one-time monetary incentives for pupils;

—material assistance provided to pupils from low-income families; permanent and temporary additional payments for these families to supplement the universal education resources;

—independent or shared participation in the financing of school development programs;

—participation in the financing of programs at the inter-school level, etc.

41. The financial means of the school are entirely at its own disposal and are not subject to confiscation. The right to distribute these funds belongs to the school council. The school council or the director upon the instructions of the council:

—determines the procedure for the utilization of budget appropriations made to the school; independently compiles the estimates and establishes the items in the program of expenditures according to those estimates, stipulating mandatory allotment of normative expenditures for the wage fund, for the social insurance of school workers, for feeding the children and for amortization deductions;

—acquires, rents and orders for the school the necessary equipment and other material resources from any enterprise, organization, cooperative or private person by cash or check, according to various types of contracts;

—concludes labor contracts with organizations, institutions and private persons, as well as with pupils of the school, to pay for the performance of various types of tasks related to school maintenance and the income-generating use of its premises, facilities, etc.;

—enters, on a voluntary basis, into various associations with other schools, educational institutions, scientific and non-school facilities, enterprises and cooperatives to combine all or some resources to establish inter-school combines, courses, academic-production and economic associations, etc.;

—uses bank credits wisely by observing strictly the principles on which credit is granted (security, good character, prompt and full repayment of credits) and bears responsibility for their effective utilization;

—disposes of the wage fund, compiles the staff list for the school and sets wages for school employees, taking into account the budget appropriations allotted for this purpose and the monies in the school's own fund.

42. The earnings of school employees depend exclusively on the amount and quality of their labor. It is established by the school council within the framework of the salary scales established by the state.

Supplements given to school employees from the school's own funds are determined by the school council.

43. The procedure for bookkeeping and determining the school's expenditure estimates is determined by the school charter. The books may be kept by the school either independently, along with other schools, or through centralized rayon or municipal bookkeepers.

44. For the organization of the educational-developmental process the local soviets of people's deputies grant the school the necessary facilities and quarters, the land, educational equipment and other inventory; they provide in a timely manner for capital repairs and on-going maintenance of school buildings and facilities; they allocate funds and quotas for school equipment.

The school premises are equipped and utilized in accordance with the rules of safety and public health standards.

The school collective carries material responsibility for keeping buildings, facilities, educational equipment and inventory in safe condition.

The improvement and development of the school's physical facilities and equipment is carried out by means of budget appropriations and the school's own fund.

45. In the interests of implementing the tasks set before it the general education school utilizes the existing international ties to study foreign experience, to raise the skills of the teaching staff, to cooperate in the area of creating textbooks and educational aids and to develop progressive methods of instruction.

The school carries out the selection, training and registration of teachers and pupils who are sent abroad through centralized channels to improve their skills, to

study, to exchange experience, to teach and to participate in other programs in accordance with inter-governmental agreements, contracts and other undertakings on the basis and within the limits of the quotas and assignments made by the USSR State Committee on Public Education.

The school has the right—in coordination with the USSR State Committee on Public Education—to conclude and realize agreements with foreign educational institutions regarding the exchange of teachers and pupils, educational-methodological materials and literature.

At the direction of USSR State Committee on Education the school accepts foreign teachers and pupils if suitable conditions exist.

The school carries responsibility for utilizing effectively the results achieved by overseas trips, as well as for the hiring of foreign teachers; it ensures that the latest academic-methodological information obtained as a result of international ties is disseminated throughout the general-education system.

46. The general-education school enjoys the rights of a juridical person; it has a seal depicting the emblem of the union republic or of the USSR, depending on which jurisdiction the school comes under, along with its own name and crest.

47. The school's documentation is carried out in accordance with the standard instructions, which are approved by committees (ministries) of public education of the union republics.

Reporting by the school is made in accordance with the requirements of the USSR state statistical organs. A demand for any other reporting by any state or public organs and organizations is forbidden.

48. All checks on the activities of the school are carried out only in coordination with the local council on public education and with the mandatory notification of the school council and the school director.

ORGANIZATION, PLANNING, MANAGEMENT

Minister Critiques Economic Reform in Instrument Making Sector

18230023 Moscow *PLANOVOYE KHOZYAYSTVO*
in Russian No 11, Nov 88 pp 3-9

[Article by M. Shkabardnya, minister of instrument making, automation equipment, and control systems, under the "Restructuring: Experience and Problems" rubric: "Problems in Managing a Sector's Economy"]

[Text] The restructuring of the country's sociopolitical and economic life is becoming a fundamental part of our existence more and more and its reforming influence continues to increase. The development of genuine democracy and widespread glasnost has fundamentally changed the ideological, political and social atmosphere in the country; it has led to an upsurge in the creative energy of millions of working people, which ensures support for the party's policy aimed at bringing about the revolutionary regeneration of society.

As noted at the 19th All-Union Party Conference, the first reassuring results have appeared and positive trends have been shaped; the main one is that the country's slide toward economic and sociopolitical crisis has been checked. However, and this was stressed straightforwardly at the conference, restructuring is proceeding with difficulty and inconsistently. More problems have accumulated than we thought at first. The stereotypes in thinking that have taken shape, the inertia of the previous work methods, and conservatism in approaches to the solution of urgent problems cannot help but hold back the course of restructuring.

The July (1988) Plenum of the CPSU Central Committee defined the Basic Directions of Practical Work to implement the conference decisions. The plenum provided new impetus for specific actions involving a wide range of reforms in our society's political and economic systems.

It is common knowledge that **one of the central directions of restructuring is a radical economic reform.** Instrument making was among the first to shift to the new conditions of economic operation (the beginning of 1987), which enables it to give a preliminary assessment of the course of the reform. It is not without ambiguity. On one hand, there are the indisputable advantages of the new economic mechanism (the principles of full cost accounting, self-financing, and so forth) which confirm the correctness of the party's policy to normalize the economy, and on the other hand, there are the inhibiting factors which reduce the effectiveness of the new system of economic operation and economic management methods, and simply block them in a number of cases. First of all, the basic

provisions of the reform are not being implemented in an integrated manner, there is a lack of balance between the five-year and annual plans, and material and technical supply is unreliable.

And more. Can we ensure that full cost accounting will be implemented if enterprises' plan fulfillment and the results of their work depend more on the "kindness" of suppliers and customers' ability to pay than on the efforts of labor collectives? This is precisely what is restraining enterprises' utilization of the progressive but more exacting second pattern of full cost accounting today.

The economic incentive of enterprises is lessened substantially by their inability in many cases to use the assets earned for a specific purpose, primarily for housing and cultural and general construction using their own resources, inasmuch as projects are not being provided with the necessary materials and construction equipment as before.

The economic norms for profit distribution, which were worked out in conformity with central economic organs' methods on the basis of five-year plan indicators and proportions and fixed until the end of the five-year plan, have received a considerable amount of justifiable criticism. Obviously, new approaches are needed to organize them on a more objective basis, proceeding from the principle of equal conditions of economic operation for enterprises.

So there are quite a few problems which the sector has encountered in operating under the conditions of self-financing. The course of the economic reform in instrument making shows that the potential of the new economic mechanism has not been fully revealed yet.

In examining the processes of revolutionary reforms, V. I. Lenin wrote in 1918: "What is of real interest in an era of great advances is that the abundance of debris of the old, which is sometimes accumulated faster than the number of embryos of what is new (which are not always apparent right away), requires the skill to allocate what is most important in lines or chains of development."¹

It appears that we have just entered such a phase in the reforms, when the mass of "debris of the old" in the form of rules, restrictions, evaluations, methods, management structures, and so forth that have been abolished exceeds the number of "embryos" of the new economic mechanism. This is precisely the reason for criticism of the current status of restructuring "from the right" and "from the left"; the critics come together in a common conclusion: a great deal has been broken apart, but there has been no fundamental progress. But this is not so. The first practical steps have been taken (the state order has been sharply reduced, leasing arrangements and cooperative activity are being developed, and so forth). We are faced with a vast amount of work to overcome the inertia of the mechanism that has taken shape and to resolve the

complicated new problems being raised by our life. We have no time left for swinging ourselves, it was stated from the rostrum of the party conference; the time has come for actions.

It is now apparent that success in developing the reform will depend to a large degree on the extent to which plans are balanced, the accelerated development of wholesale trade, and how it is brought into conformity with the new conditions of pricing, planning, and financial and credit mechanisms; on the extent to which all participants in public production—from the worker to the manager at the highest level—have thoroughly mastered its concepts; and on improvement in central organs' methods of economic operation and clear-cut definition of the functions of the sectorial link in management. It is important to name another complex problem which should be resolved in the course of the economic reform: the organization of an efficient structure and the introduction of new principles in managing the national economy, and industry in particular. Today, when we have entered a second, more complex stage of restructuring and when the processes of renovation are taking on more specific forms and require practical actions, these problems are particularly urgent.

It was noted at the July (1988) Plenum of the CPSU Central Committee that "...we cannot do without modern, competent, highly professional management personnel. But at the same time, these managers should resolutely restructure their work by taking into account the requirements for radical economic reform and by taking into account the new role of labor collectives."²

In restructuring the management of public production, it is important to look for a unity between the center and the local areas, between state and sectorial management, and between the headquarters of the sector and the self-management of associations and enterprises which will make it possible to utilize the potentialities of the new economic mechanism to the full extent.

Today it is not enough to proclaim a struggle against bureaucracy (this has been done for a number of years), to condemn administrative and command methods, and to state the necessity of utilizing primarily economic methods (this requirement was set forth as far back as the start of reform in 1965 [sic]). Real actions—specific studies and recommendations by specialists in management—are needed.

Bureaucratism is often identified with management activity, chiefly the ministries' personnel. It is hard to say what there is more of here: inability to understand or unwillingness to thoroughly examine the complexities of efficient management organization. It goes without saying that the struggle against bureaucratism, including at the ministry level, is one of the most important tasks of restructuring. But we must not oversimplify the problem to the point of absurdity and equate bureaucratism with management (which has become prevalent).

Aside from criticism, economic scientists, managers and sociologists should have offered something more constructive. At present, in spite of the considerable number of scientific organizations that are studying the problems of management optimization, there is practically no research which can serve as any substantial basis for selecting the best solutions with respect to the structure of economic management, the new functions of economic management organs, and efficient organization of sectorial staffs. **And no matter how sincerely we would like major progress in restructuring and no matter how many efforts we make, we will make no headway in this matter without thorough study of modern, scientifically substantiated concepts of the patterns and functions of management at various levels and their systematic implementation.**

It appears that our management science has not been given the attention it deserves yet and is not keeping up with the pace of urgent tasks. It has been kept in the background somehow for many years. But perhaps they have been holding it back deliberately so that it would not prevent managers with insufficient competence from making willful decisions, from being in command of everyone and everything, and from putting tens of billions of rubles into questionable projects with little promise under cover of the well-known slogan "Economics should be economical." It should be noted for the sake of objectivity that even now, unfortunately, economic science is far from always successful in breaking through the barrier of central economic departments to submit alternatives related to major restructuring problems for discussion.

In any case, we do not perceive any real assistance from either the scientists or the central economic organs at present in working out efficient structures and functions for management organs at different levels under the new conditions. In particular, the questions of the role and place of sectorial ministries in the new system of economic operation have not been resolved. A Statute on the Sectorial Ministry, which would establish its new status, taking the effect of the Law on the State Enterprise into account, has not been adopted yet. The mechanical and very substantial reduction of sectorial ministry staffs and the standardization of their structure, which have been conducted on the basis of subjective assessments without clearly defining their new functions and in a number of cases, without taking the specific nature of a sector into account properly, are not performing the tasks of substantially improving management activity.

All this can be related to the costs of the transitional period, of course, but it must be taken into account that the lack of a clear legal foundation for ministries' activity creates quite a few complications and inconsistencies in their relationships both with enterprises under their jurisdiction and higher organs. It is clear to everyone that the work methods and functions of ministries are radically changed with the adoption of the Law on the State

Enterprise, first of all. Administrative forms of influence are a thing of the past, giving way to economic methods. Plans are being drafted and adopted by the enterprises themselves. In the correlation between ministries' rights and responsibilities, the latter are clearly predominant today, incidentally.

Experience shows that economic management methods can be effective only if they are applied at all levels of management in the national economy, but they are not yet, and the methods and style of work of the higher organs of economic management are still purely directive. Because of these circumstances, a conflicting situation has developed in which the ministries, being the middle link in a complex, are the object of administrative and command management from the bureaus of the USSR Council of Ministers and other central planning and economic organs as before. They are obliged to carry out the latter's assignments and directives and to pass them on to the primary production units. At the same time, by operating within the framework of the Law on the State Enterprise, enterprises' labor collectives now determine the plans themselves. It may be said that under these conditions, the ministries have turned out to be between "the hammer and the anvil."

So that we do not make unsubstantiated statements, let us look at the matter of setting supplemental plan targets. It is common knowledge that the practice of systematically adopting supplemental targets for the development and production of one product or another when the demand for it was not taken into account in the economic and social development plan has taken shape over many years. This is related to insufficient study of plans in their formative stage and the habit which planning organs and individual ministries and departments have acquired of correcting their blunders "in motion," without taking into account either the national economic plan or the interests of the sectors and enterprises which are charged with organizing new, unplanned output. And it should be mentioned that certain managers in consumer sectors credit their account with satisfaction each time they succeed in carrying out nonplan supplemental tasks through individual decrees. Unfortunately, this practice has not been condemned properly under the new conditions of economic operation, either. Thus, more than 400 supplemental targets for the development and production of complex equipment have been assigned to the USSR Minpribor [Ministry of Instrument Making, Automation Equipment, and Control Systems] in just the first 2 years of the five-year plan.

By making use of a unified fund for development of new equipment, as well as administrative forms of influence in a number of cases, our ministry accommodated nonplan targets at appropriate enterprises in the recent past. And they had to accept this situation, inasmuch as annual plans were practically being formulated all over again everywhere and quarterly corrections were a normal occurrence. However, the situation was fundamentally changed when enterprises and associations shifted

to full cost accounting and self-financing and the Law on the State Enterprise came into force.

It must be taken into account that in many cases, organizing the production of new nonplan products involves economic losses for enterprises—reduction of profitability, loss of part of their profit, and a decrease in deductions for the economic incentive funds, which requires appropriate compensation.

This is also cause for accusing ministry employees of bureaucratism and attempts to "cling" to the old methods. And they are far from always successful in convincing the manager of an enterprise, who is now backed by the labor collective council, of the necessity for accepting a certain target, even when additional financial resources are allocated. It is not enough to have a single command "from the top" now: provide the ministry.... In making such decisions, it has to be remembered that the rights and economic interests of enterprises are reliably protected by the Law, and that the ministry bears economic responsibility for violating it.

Of course, achieving absolute stability in five-year plans is obviously not practicable. The country's economic life is diverse, and it is impossible to take all the national economy's requirements for a 5-year period into account in advance. **The fact that state interests should have priority over the cost accounting interests of enterprises is not subject to question, either.** Nevertheless, the new economic mechanism and the shift to chiefly economic methods require new approaches to the problem of nonplan targets set by government organs. It is impossible not to take notice of this today, and we must look for a solution. In our view, it is necessary to sharply reduce the number of supplemental targets, which will require that planning organs and sectors bear stricter responsibility for miscalculations in plans.

Moreover, supplemental targets should be included in the state order, which will become an economic and legal prerequisite for their fulfillment. At the same time, we have to provide full reimbursement for the losses incurred by enterprises which shifted to the new output. This compensation should be provided in the form of special-purpose financial resources, primarily from the assets of the customer or allocated from the reserves of the directive organ which sets the target. There are practically no reserves of this type today, but they have to be developed without fail. Otherwise, the necessity of reinforcing economic management methods will turn out to be one more slogan that is not carried out.

This is one of the problems that is largely caused by planning shortcomings, the lack of a Statute on the Ministry, and inconsistencies between the rights and responsibilities of sectorial management organs on one hand, and enterprises on the other hand.

Another problem is associated with the sectorial center's forced intervention in the day-to-day and current activity of enterprises, which results in the justifiable dissatisfaction of their collectives, especially the advanced ones.

With the adoption of the Law on the State Enterprise, it would seem that the ministry should concentrate its attention on the major strategic directions for development of the sector, pointed out in the CPSU Central Committee Report to the party's 27th congress, and not interfere in the day-to-day operation of a basic production component.³ However, in practice it will have to concern itself with many day-to-day problems as before. Why is this? Two reasons may be singled out here. The first one involves the requirements of higher organs, which actively monitor the ministry's current activity and ask for up-to-date information on the fulfillment of monthly production plans. The second reason is the request for day-to-day assistance from the associations and enterprises themselves, many of which are either not prepared for independence or cannot resolve the problems of current activity at their level (supply, cooperation, technology, production calculations, acquiring credits).

Naturally, this distracts attention from the performance of future tasks and the solution of major problems and takes a great deal of time. It is sufficient to say that just the problems of material and technical supply and the daily supervision of current production occupy more than half the work time (and often nonwork time as well) of most of the ministry's staff and managers.

Of course, in the activity of sectorial ministries, including ours, there are still quite a few shortcomings and a considerable amount of unfinished work; they were subjected to sharp criticism for this, justified in many respects, at the 19th All-Union Party Conference and in statements by M. S. Gorbachev during his trip to Krasnoyarsk Kray. But I would nevertheless like to say, not as an excuse but for the sake of objectivity, that there are a number of problems where we prove to be "innocent victims." Take the volume of commodity production as an example; it is essentially a gross indicator which was excluded from the most important indicators a long time ago and it concerns only the competence of an enterprise. Nevertheless, this is precisely what the higher organs are monitoring most strictly with unremitting persistence and in many respects, they judge the work of enterprises and ministries in accordance with it. A paradoxical situation develops: the ministry has the responsibility to ensure that the current production plan is fulfilled by enterprises, but at the same time, it must not intervene in their day-to-day activity. An analogy automatically comes to mind: can one go into the river without getting his feet wet?

The fundamentally new approaches to management organization do not allow us to manage the economy by the previous methods. This applies in full measure to

both the ministries and the central economic departments. And as long as we set the objective of democratizing management and overcoming the bureaucratic "mechanism," everyone should "keep in step" by strictly adhering to the new principles of economic operation for which they voted at the party conference. We expect that the scientific concept of a system for managing public production, which takes into account the rights granted by the Law to a basic component and the new functions of sectorial ministries which should be strictly observed, will finally be worked out and adopted officially.

It is time to shift from the extremely vigorous criticism of ministries in the press to a sensible definition of the area of activity of the sectorial centers of management (ministries or other organs—the name is not important). There is no doubt among specialists who are competent to deal with the problems of organizing production management that we cannot do without such organs, it seems.

The view is sometimes expressed that the organs of sectorial management have lost their importance with the extension of commodity-money relationships in the country, development of a socialist market, and expansion of the rights and economic independence of the immediate producers of goods. In our view, there are no grounds for stating the problem this way today. First of all, we are still far from establishing a socialist free market for capital goods. Wholesale trade is in the initial stage of development, we can say. Secondly, associations and enterprises have not found true economic independence yet: they are impeded by a shortage of physical resources, delay in restructuring price and financial-credit mechanisms, the ruble's lack of convertibility, and the extreme shortage of skilled economic and legal personnel.

It should be noted that in capitalist countries (the United States, Japan, Sweden, or France, for example) with purely market relationships, the enterprises producing commodities are managed either by ministries (where individual sectors of industry have been nationalized) or by industrial-financial corporations (concerns) which perform the planning, regulating and coordinating functions, determine production priorities, and concern themselves with marketing and other strategic tasks.

In working out a modern pattern for managing socialist production, in our view, we ought to proceed from democratization of the economic mechanism which has already been begun, but we should take into account at the same time that it is impossible to coordinate the activity of primary economic units, even where there is developed self-management by enterprises, considering the planned nature of the economy and the increasing scale of production, without sectorial centers. A ministry today should not manage individual enterprises, but the sector's industrial-economic complex, that is, coordinating the activity of associations, plants, and scientific and design organizations in the most important directions of

scientific and technical progress and production, based on the state's interests, is becoming the main objective. It is precisely here that conflicts between the cost accounting interests of enterprises (organizations) and the public's interests are possible and even inevitable. In such a situation, the ministry obviously should assume the role of mediator and find the best solutions possible.

The achievement of national economic goals, the most important of which are to meet the country's needs for the sector's output and to estimate and predict the demand for this output in the future, requires carefully considered approaches in carrying out technical, economic and social strategy. **Determining priorities in scientific and technical policy, allocation of investments, efficient siting of production, and its cooperation and specialization which rules out a monopoly position by individual enterprises—we see this as the basic nature of the ministry's work.** Another direction of its activity, of no less importance, is the development of long-term (for 15 to 25 years) and short-term forecasts of the sector's economic and social development, the organization of consolidated five-year and annual plans, the allocation of state orders established by the USSR Gosplan among enterprises, and the organization of a sectorial balance of incomes and expenditures and plans for extending credit. The bulk of this work should be conducted in contact with regional planning and financial organs.

The problems of determining future requirements for the basic types of physical resources and control over their consumption remain with the ministry for the present, for the next few years in any case. This function will be discontinued with the development of wholesale trade (and the sooner this takes place, the faster the new economic mechanism will "pick up speed"). Functions such as the development of economic norms, the organization of centralized funds and reserves for financing special-purpose programs and basic scientific research, price-setting and economic analysis problems, consolidated bookkeeping and statistical reporting, and control over the consumption and safety of monetary and material assets will also be retained.

Under the new conditions, the ministry has been called upon to provide methodological supervision of associations and enterprises in the sector to a greater extent than before in the application of progressive forms of economic operation: full cost accounting, self-financing, leasing under contract and cooperation. The problems of organizing personnel training and retraining are becoming very important.

In connection with restructuring of the forms of foreign economic activity, the ministry's role in this area has increased substantially. Along with the tasks of studying the international market conditions in order to expand exports in every possible way and studying import opportunities, it should coordinate collaboration between enterprises and organizations and their foreign

partners, the establishment of mixed enterprises with foreign firms, and the development of economic integration within the framework of countries in the socialist community.

These seem to be the basic tasks and functions of a sectorial ministry under the new conditions of economic operation; they will ensure that its activity is concentrated on the major strategic directions and the key problems of national economic importance.

Footnotes

1. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 36, p 205.

2. "Materialy Plenuma Tsentralnogo Komiteta KPSS 29 iyulya 1988 g." [Materials of the CPSU Central Committee Plenum of 29 July 1988], Moscow, Politizdat, 1988, p 31.

3. Incidentally, taking into account the new functions being proposed, a new, enlarged structure has been specified for our ministry's central organization and the work force has been reduced by one-third.

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**Silayev Urges Machine-Building
Enterprise-Cooperative Partnership**
18230012a Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 20 Oct 88 p 1

[Interview with Ivan Stepanovich Silayev, deputy chairman of the USSR Council of Ministers, chairman of the Bureau for Machine Building, by I. Ilimenko]

[Text] "Cooperative enterprises along with state enterprises are the basic unit of the country's national economic complex," said Deputy Chairman of the USSR Council of Ministers, Chairman of the Bureau for Machine Building Ivan Stepanovich Silayev, at the beginning of a conversation with our correspondent. "The cooperative movement is growing and enterprisingness and economic inclinations are awakening in many people. According to the party will, the country has taken a decisive step toward the construction, as Lenin put it, of civilized cooperators. But a civilized cooperator does not come out of thin air. Through great efforts he wins a place in the sun for his engineering, machine building, or other intellectual cooperative. But why, actually, must he win it! It is necessary to give him the opportunity to develop all of his talent, inventiveness, and ingenuity!"

"Literally yesterday a document came from the USSR Gosnab. They are sounding the alarm, saying that a significant proportion of the items that are small but necessary to the national economy have not been accepted by the enterprises for manufacture. We have already straightened out some of them. There are cases

where the collectives have been given unrealistic figures. Today this will not do. If the labor collective council has not accepted it, it is necessary to deal with this. But what will happen if the national economy does not receive certain items? What will take place? Will our mechanism become unbalanced? I do not think so. But, undoubtedly, difficulties will arise for certain enterprises.

"The question arises immediately: What will happen? Somewhere we will work with the collectives and the shortage will decrease. But it will not fully disappear. This means that the expenses will also remain. In principle this is also demand to which our enterprises should react. There should be competition for these items! And there will be. But what do we do now? Where do we turn? Abroad? But it is not economical to waste currency on the simplest items. This is why we have decided to turn to the cooperatives. We shall tell them about our position—we see them as our partners in solving such national economic problems. Something is already being done in this area. But it is necessary to motivate and enlist the entire cooperative movement."

[Ilimenko] And orient them also....

[Silayev] Of course. Orient them also. We must tell the cooperators where we need them. Let them choose. We cannot plan for them but we can motivate them. Right down to the incentives of the state order which can be filled out for products of which there is the greatest shortage. Then the cooperative will have a guaranteed portfolio of orders and guaranteed provision of material resources at state prices and for high-quality products at an even higher price as is envisioned by the provisions. In other words, we are offering our cooperative partners an alliance and a long-term program of joint actions.

[Ilimenko] Ivan Stepanovich, how do you envision this coming together in practice?

[Silayev] There are many cooperatives in the country. Therefore we must apparently have a group of individuals representing the interests of the machine-building cooperatives. For instance, an association. In order not to be looking for partners throughout the country. And we could sit down at the table with the association and discuss not only the items on our list but also future issues. Incidentally, I emphasize: we are not limiting the initiative to the given list. We can discuss, come to agreements, and sign an agreement and we would know that this list is closed. But they, in turn, will not be taking risks in finding materials. The majority of machine-building cooperatives work at state prices because they see an advantage in not increasing the cost of the items but in reducing their production cost. In this sense they have a colossal advantage: they do not have inflated staffs, and they do not have immense warehouses for storing all kinds of nonliquid assets. That is, through optimizing the structure and sharply cutting the production cost they stand to gain a great deal. Thus the organizer needs the same kind of association. In meeting

with them we could make our request and they themselves after discussing it could decide whether or not they would satisfy it. With whom would we sign an agreement? Mainly with the direct plans for the products or, with our participation, with the USSR Gosplan and its territorial agencies.

[Ilimenko] Ivan Stepanovich, the list of items that have ended up outside the plan is significant. If it were simply published perhaps it would turn out that the machine-building cooperatives would strive in the direction of the high road of scientific and technical progress.

[Silayev] No, we would like for the cooperative movement to work in the area of machine building in the same direction and with the same priorities on which the efforts of all machine builders are concentrated. Here we would make suggestions, give direction, and give motivation....

[Ilimenko] Incidentally, let us recall the priorities once again.

[Silayev] Today priority is given primarily to agriculture: minor mechanization for farms, gardens, and orchards. Technical equipment for renters. Additionally there is processing, canning, and packaging equipment. Of course here not only prepared machines and sets of equipment are important but also original batching items. There is room for cooperators in electrical equipment, electronics, medical equipment, the production of consumer goods.... We do not have enough equipment or devices for housing, road construction.... All this is directly related to social programs, and the importance of the most rapid implementation of them was discussed at the 19th Party Congress.

[Ilimenko] But how do the cooperators themselves like the idea of the association?

[Silayev] It would be better to get the answer to this question from the cooperators themselves. As concerns my personal impressions, I can refer to the very fruitful conversations with many cooperators, including the manager of the Kiev cooperative, L. Lantsman. The Kievian workers are already working effectively in the area of machine building. With our support they have established contacts with the director of the Bolshevik Plant, V. Izvekov. The enterprise is overloaded. The cooperators have taken over some of the work. They have concluded an agreement and are working successfully. They understand the idea of creating an association. The idea was supported by the cooperator Ye. Fedotov, who was engaged by the problem of small brick plants. There is not enough brick in the country. And in Moscow a cooperative has appeared which has taken on the responsibility of delivering next year 50 (!) plants with a productivity of 5 million bricks a year. I met with the chairman. They are courageous and intelligent chaps. They utilize technical innovations which differ significantly from the classical plans.

I asked the chairman: What kind of help do you need? "The cooperation of interested people," he said. I signed a paper for him to go to the machine-building enterprises so that if possible they would render him assistance and support. I tried to put him in contact with enterprises of the Ministry of the Construction, Road and Municipal Machine Building. They refused. Although they did conclude agreements for the manufacture of certain kinds of equipment. The rest was up to them. That is, there is already a force with which we are prepared to cooperate and they with us. Sometimes through their regional organizations and sometimes through republic ones, and perhaps even through union organizations.... We will have to discuss it....

[Ilimenko] Ivan Stepanovich, can you guess the probability of concluding an agreement of including a representative of the future association in the Bureau for Machine Building? For example, for more effective participation in resolving pressing issues....

[Silayev] Is this really a matter of membership?! We are suggesting and are ourselves proceeding toward active cooperation. It is a matter of actual participation and not the form of its realization. It is useful cooperation in a concrete matter that determines the possible form of interaction between the association and the bureau, but in the interests of the matter and persistent and prolonged cooperation, why not invite to the meetings of the bureau representatives of the union and association of cooperators when discussing various issues regarding problems of machine building? I do not think that this should be ruled out, nor should membership in the bureau if it is necessary. I would like in the near future with the cooperation of the editors to convene the cooperators and discuss a range of problems facing the machine-building cooperatives and consult on how to utilize their energy and abilities most effectively for the good of the country.

[Ilimenko] I should like to return to a problem about which our newspaper has already written. In particular the problem of credit. The Zhilsotsbank, which is intended to finance cooperatives, offers two kinds of credit: for a year—for current expenditures, and for 2 years—for acquiring fixed capital. The Promstroybank gives credit only to state enterprises. Where is the machine-building cooperative to turn with its idea?

[Silayev] You are already anticipating questions which we could usefully discuss together. The banker also must understand: he has no guarantee that the state ruble will be used with advantage to the state. And here again I shall turn to the idea of an association. It is this that can act as a guarantor in relations between the cooperative and the bank. Moreover, it can act as the instituter, say, of a shareholding bank....

[Ilimenko] But will it not turn out that the association will become yet another bureaucratic superstructure....

[Silayev] World practice shows that in any serious movement an organizational foundation is formed: unions, associations. This is necessary. It is too disadvantageous to operate blindly—especially in such an immense country! Interrelations with the world are very complicated. The more so since we are speaking out about participation in solving any small mundane problems. We are speaking about a contribution to solving important and diverse social problems where talent, enterprisingness and inventiveness play a primary role in success. Multiply it by the scope of the cooperative movement—and it, I am convinced, will expand and become stronger—they are capable of becoming an appreciable force in balancing national economic needs. But I emphasize: the association is not ours, it is theirs, the cooperators', the agency with which we have equal rights and intend to cooperate as partners. And in all stages of the creation of the machine-building product—research, development, production, and operation.

[Ilimenko] But so far it is necessary to gather for consultation.... Do we newsmen have the right to turn to the leadership of all machine-building and engineering cooperatives of the country with the request to notify us of who is ready to participate in a large-scale conference like this?

[Silayev] We would be grateful to the editors for doing this. In turn, we shall give our address for communications: Moscow, 101830 Proyezd Serov, 5, All-Union Scientific Research Institute of Machine-Building Problems. Telephone 921-14-14.

The telephone number of the editorial office is 257-25-15.

PRODUCTION

Instrument Making Plant Changes to Cooperative
18230019 Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 26 Nov 88 p 1

[Article by correspondent V. Zenkovskiy: "The Plant Became a Cooperative"]

[Text] Minstankoprom's [Ministry of the Machine Tool and Tool Building Industry] first production cooperative "Instrument" has been created in Kharkov on the base of the former instrument plant. Here is what the chairman of the cooperative board, A. Goloborodko, told our correspondent:

For the last two years the plant could hardly make ends meet. As specialists' calculations showed, a changeover to the output of new types of products, needed by consumers, would in fact bankrupt the enterprise. The economic analysis confirmed that neither the first nor the second model of khozraschet, nor a lease contract would be able to help the collective get out of this dead end. Only the cooperative form of management would

guarantee the conditions and stimuli for highly productive labor. The ministry and local and party organs regarded the opinion of the plant workers with understanding. And now we are no longer a plant, but a cooperative.

Minstankoprom leased us the fixed capital and circulating capital, and promised to guarantee us material resources. Our task is to use these in the best possible way and to fulfill orders according to product list and volume.

[Question] How much time will the collective require to get out of danger and stand on its own two feet?

[Answer] We think that by the end of the five-year period we will cover the control numbers for all indicators as stipulated by the five-year plan. I think that labor productivity will increase more than 60 percent and the average wage by 36 percent. I want to emphasize that this sharp increase will be produced not on the basis of a growth in prices, but as a result of lowering material and labor expenditures and cutting the inflated administrative-management apparatus. We intend to release 150 people.

The process of improving the situation and increasing discipline and responsibility for this assignment is gathering strength.

We will deliver products to the consumers within the limits of the agreed upon volume according to wholesale prices, and everything that we produce above state order according to contracts.

[Question] The problem of quality worries many consumers who have dealings with the cooperative workers. What kind of guarantees can you give them?

[Answer] Our collective has decided that a consumer simply does not have to pay us for defective products.

TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

Machine Tool Sales Success of 'Stanbel' Joint Stock Company Discussed

18230008 Moscow SOTSIALISTICHESKAYA
INDUSTRIYA in Russian 24 Sep 88 p 3

[Article by L. Sokolnikov (Brussels): "Let Us Learn to Sell Machine Tools"]

[Text] The fourth meeting of the working group, "Machine Tools and High-Quality Tools," which was held in Brussels at the start of September, was unusual. For the first time in its work, USSR Minstankoprom [Ministry of Machine Tools and Tool Building Industry] representatives participated, together with managers of Belgium's largest machine-toolmaking firms. This was the first official delegation in the past 11 years of the

existence of the Soviet-Belgium joint-stock company, Stanbel. Not especially generous in their industrial reporting, in the newspapers of Wallonia and Flanders on this occasion the headlines, "Machine-Toolmaking September," "The Association of Soviet Exporters—a Threat or Cooperation?," "A Green Light for the 'Red Proletarian,'" and so on abounded. The addresses of L. Churpakov of the Kuzmash NPO [Science and Production Administration] and V. Pashchenko, director of the Frezer MIPO [International Research and Production Association] were of a specific businesslike nature. Of course the effect of the fresh wind of economic change was indubitable, but I will be so bold as to assert that the businesslike September was the practical result of the work year of Stanbel, which finally became a profitable enterprise.

Let us return briefly to the hot summer of 1987. On the 2d of July, the day that V. Samokhin officially took up the post of Stanbel's general director, the figure 140,000 convertible rubles was in the chart, "Total for the Half Year." The firm bought output of the domestic machine-toolmaking industry for this sum in order to sell it on the Belgian market. The figure, in all honesty, was nothing to celebrate. July of this year turned out to be more optimistic—520,000. And the annual total, according to all the calculations, will be marked for the first time by a seven-digit figure. A million convertible rubles in sale prices!

What is new that has appeared in the firm's work? The machine tools have not become more competitive, unfortunately. Organization of their sales has been changed considerably.

Stanbel suddenly expanded its motor-vehicle parking lot ahead of time. Why? It started, strange as it may seem, with the organization of a special painting chamber. Previously, the touch-up, and often even the repainting of a machine tool, was done directly in the preparation department, by brush or paint sprayer. Right now Belgian legislation prohibits such work for ecological and health reasons. The chamber, with a powerful double draft through a special filter layer, was expensive, but the approving glance of the inspector meant much more. A trifle? In comparison with an Ivanovka machining center—yes. But here, in trade of these machining centers, the thing is necessary. For cooperation, for expansion of the geography of machine tools sales, for the trade intermediaries, and for the more rational use of NC control systems.

The commendable desire not to lag behind progress in the control system was reflected in the fact that domestic plants installed finished Bosch, Siemens and Fanuc electronic units on machine tools intended for export. From the beginning of outfitting to the delivery of machine tools for sale to Belgium usually takes a year, that is, the time allocated for warrantee servicing of the NC control system. To sell machine tools without a

guarantee for the "electronic brain" is unrealistic. Additional expenditures for control measurements, refinements, and replacements of modules by improved ones were required. To the advantage, and even that is doubtful, only of the manufacturing plant. Right now Stanbel proposes to ship machine tools, ready to the maximum for the installation of any system on them. It is possible to activate the Bosch, or the Fanuc, or the Siemens on the spot as the customer desires.

The Leningrad Machine-Toolmaking Association has already shipped Stanbel a horizontal boring machine with five axes, and the firm Pegar-Prodyuktik is equipping it with the newest control system. The collaboration of Pegar and the Leningrad SPO [Machine-Tool Production Association] is not the sole example. The firm Akiliam has close contacts with Moscow's Krasnyy proletariy [Red Proletariat] in creation of the 16-A-20 general-purpose lathe. Contacts are being arranged with the Middle Volga Machine-Toolmaking Plant.

September 1988 brought the first official agreement on collaboration between Krasnyy proletariy and Stanbel. V. Samokhin read it to me as people read favorite verses. It was also his work, the result of persistent efforts, divided into chapters and paragraphs. It is a document that combined the efforts of a multitude of people in a specific, needed matter.

The second main direction of Stanbel's work is organization of an effective commercial network, the search for intermediaries, who know more about the subtleties and specifics of the local market and will free Stanbel from excessive and partially ineffective bother about presale refinement of the machine tools.

The comprehensive program of Stanbel's activity over the next three or four years is vast. What resources lay in economic oblivion in previous years? Here is the waste of nonferrous metals, spent electric motors, sandblast chambers, and thousand-ton shipments of abrasive scrap for recuperation of grinder tooling in accordance with the newest technology, at plants at Liege and Zaporozhye. The joint production facilities of trusts of medium capacity and flexible production lines based on boring tools. The largest Belgian and transnational industrial firms—LVD, Khako, Pegar, Gleason, Shtemakh and others—have become involved in the orbit of businesslike collaboration.

Also an important factor was the expansion of the geographical zone of machine-tool sales. Even Holland's advanced industry was interested in the purchase of Soviet metalworking machines. On the general director's table are Telexes from Egypt, Kenya and Uganda with agreements to buy our machine tools.

There is one indisputably advantageous matter—the delivery of new commodities and services. For example, the manufacture of parts for machine tools in accordance with the drawings of foreign customers. These are even the casting of frames, the cutting of small pinions, the primary machining of various shafts, and so on.

During the 30 years of Stanbel's operation 3,000 machine tools have been sold. An average of 100 machine tools per year regularly. Last year 130 were sold and this year almost twice as much more will be sold. "Best of all, this is because," said V. Samokhin in conclusion, "of the fact that today we have become 30 years wiser."

CIVIL AVIATION

Roundtable Examines Unsafe Navigational Aid Practices

18290049 Moscow VOZDUSHNYY TRANSPORT in Russian 20 Oct 88 p 1

[Roundtable discussion with the participation of A. Goryashko, deputy minister of civil aviation; N. Ryzhakov, chief of the Main Inspectorate of the MGA [Ministry of Civil Aviation]; V. Shelkovnikov, chief of the GlavUVD MGA [Air Traffic Control Main Administration]; and unidentified VOZDUSHNYY TRANSPORT correspondent under the rubric "A Topic of Particular Concern": "Dangerous Cost Accounting Games"]

[Text] **Correspondent:** The newspaper is receiving letters from persons who are uneasy because air navigation radio aids on certain airway sections are being turned off on days of rest and holidays.

A. Goryashko: The sector is entering an important period in restructuring. Collectives are acquiring economic freedom by taking advantage of the rights granted to them by the Law on the State Enterprise. They are making the transition to self-financing, self-support, and self-management. The labor collective councils are becoming authoritative. Economists are analyzing their enterprises' activity and identifying the unnecessary components in their structure. What is reprehensible here? But this is what concerns us. Collectives are taking the easiest path. In order to save funds, certain administrations are cutting back the traffic control work force and are refusing to lease communications channels for air traffic control.

V. Shelkovnikov: We cannot boast about providing direct operational communications between UVD [ATC] centers now, either. And if we refuse even more communications? Just how will we implement our professional principle: I hear, I see, I control? Moreover, these channels are part of the entire country's communications system. If you add to what has been mentioned the shutdown of homing and other beacons, short-range navigation systems, and the VOLMET [possibly: type of recorded weather advisory service] and ATIS [automatic terminal information service] flight information support recommended by the ICAO [International Civil Aviation Organization], you have an alarming picture. The system for ensuring flight safety is disintegrating.

Correspondent: Aleksey Markiyonovich spoke about the shift to economic forms of management at enterprises. After all, the radio aids mentioned are really not needed too much by local aviators. They are used basically by crews from other enterprises. So perhaps a system for accounting with these collectives is needed?

A. Goryashko: This matter was reviewed at a meeting of the ministry collegium on 22 September 1988 and Deputy Minister of Civil Aviation V. Kurilo was charged

with submitting proposals on mutual accounting and economic incentive for aviation enterprises and organizations for the maintenance and operation of facilities of sectorial importance related to flight safety. The period of time involved is up to 30 October 1988.

N. Ryzhakov: This is what I want to emphasize: standards now being worked out in the ministry will have the complete set of requirements for services, flight subunits, and aircraft maintenance bases that are needed to guarantee flight safety. The next step will be certification of all enterprises, bringing them up to the level of the world transportation system. And of course, the inspectorate will keep a strict watch on the work of the entire aviation complex. And penalties will be appropriate: right down to a ban on flights.

V. Shelkovnikov: It is even hard to imagine what aviators in the Far East, North Caucasus, Volga and Ukrainian Administrations, where they intend to "regulate" the operation of radio aids, will do under those new and rather drastic conditions. After all, we have an outbreak of dangerous near misses even now. For example, the last one was at the Makhachkala ATC Center between an Il-86 and a Tu-134 aircraft. And there were 440 persons in them.

And we recently learned that they have abolished the traffic control department in the Far East Administration of Civil Aviation. It was engaged in organizing air traffic control, improving the airspace arrangement in this complex part of the country, and it was cooperating with military organs in the unified ATC system. Have they really forgotten about the many near misses in the Far East and the collision between aircraft at the Blagoveshchensk RTs UVD [Regional ATC Center] in 1981?

A. Goryashko: All this is taking place because they have not read through the Law on the State Enterprise carefully in local areas. Particularly in the parts on responsibilities, where it states that enterprises bear full responsibility for observing the state's interests. And flight safety is a state interest, and the persons in aircraft are a state interest. Airways and airspace have no limits in providing for flight safety. We cannot have a situation where we can fly safely in the East Siberian Administration's area but we must fly with danger in the Far East Administration's area, where the traffic service has been going through a rather drastic renovation.

Let an economist or labor collective council that decides to cut back personnel in the traffic service put the amount economized on one side of the scale and human life on the one side. And what if there are 440 lives, which Valeriy Georgiyevich spoke of?

After all, there was no radar control at that moment. The surveillance radar was undergoing scheduled maintenance. The RSBN [short-range radio navigation system] available at the Makhachkala airport was not in operation because of the lack of specialists to maintain it!

What is happening? Are we starting to march quickly back to the 1960's and 1950's, when we were flying by the seat of our pants? We get the impression from the decisions made by certain labor collective councils that they do not even know what they are doing. And we want to tell all aviators of our concern about what is taking place. And to those who have begun shutting down radio aids and cutting back the number of controllers, we want to say: you are not unique or alone. This step seems harmless for one enterprise, but on a sectorial scale it leads to almost complete "blindness" on airways.

I say again: restructuring is under way in the sector. The problems of economic relationships have not been studied very thoroughly yet. We need time for this. But an aircraft cannot stop in the air after stumbling into the blind boundary of the next regional ATC center.

True, the collectives need profit. They need monetary assets. But only not at the cost of reducing the dependability of air transport. And we must always remember that the value of every cost accounting idea in our sector is measured in human life.

Natural Gas Used to Fuel TU-155

18290080 Moscow IZVESTIYA in Russian
19 Jan 89 p 1

[Article by V. Belikov, IZVESTIYA correspondent:
"Natural Gas in Aircraft Tanks"]

[Text] A TU-155 aircraft, on which IZVESTIYA reported for the first time last year (No 111), made its first test flight using liquefied natural gas as fuel on 18 January. Outwardly, this aircraft differs from its fellow planes in the TU-154 family only by its unusual blue color and an emblem on the body which symbolizes the use of so-called non-conventional fuels. In April of last year, the experimental winged vehicle took off using the draft of three jet engines powered by liquid hydrogen. This most volatile of gases refrigerated to minus 253° was stored on board in metal "thermoses" of sorts, which served as fuel tanks.

"Hydrogen and oxygen of the air make it possible to generate ecologically clean 'exhaust'—water vapors," noted chief aviation designer N. Tupolev. "However, storing fuel such as hydrogen is complicated and expensive. On top of this, the 'volatile mix' of these two gases is extremely dangerous. Strictest safety measures are required! However, we decided to begin experimenting with hydrogen, the more hard-to-handle gas, in order to accumulate the experience necessary. Now the time has come to try whether we may fly using natural gas. We carried out this assignment in cooperation with the Soyuzgaz production association."

I view the aircraft, or, more precisely, its retrofitted passenger deck, while the crew headed by meritorious test pilot of the USSR V. Sevankayev completes final preparation and takes seats in the cockpit. On the passenger deck, a tank holding over 18 m³ of natural gas is installed.

"Fuel may be stored at a temperature of minus 160° for up to 3 days behind the thermally insulated walls of this tank; its diameter is 2.6 meters, and it is about 8 meters long," says V. Andreyev, deputy chief designer. "Thermal insulation is so complete that on the outside there is no frost or condensating water drops. The gas is purified and liquefied in a special ground installation before being pumped into the tank."

"Are they using regular gas, the kind which burns in the kitchen range?"

"This very gas! As is known, our country has tremendous reserves of this gas and is covered by an extensive grid of gas pipelines. It is easy to imagine how supplying the aircraft with fuel is going to be facilitated if they could refuel practically anywhere..."

"This, however, requires that aircraft using liquefied gas would not become the odd ones out in a tremendous 'flock' of regular winged vehicles, which continue to fly powered by aviation gasoline, which is in short supply."

"For 2 years now," explained the designer, "our collective has been working on the problem of using the existing fleet of the TU-154, the main aircraft of Aeroflot on medium-distance flights, in a scenario when natural gas may serve as fuel. The test flight today is an important step in this direction. It is expected that relatively minor adjustments in the fuel system and the engine itself will be required."

It is suggested that easily replaceable tanks suspended under the wings be used for mounting containers with the new fuel on regular service aircraft. They will not affect significantly the speed and range of flights, but the economic gain due to a higher efficiency of the gaseous fuel will be considerable.

...An airport prime mover carefully towed the plane to the takeoff point. Protective helmets worn by the crew showed up through the cockpit glass. This is a test flight, after all. This is the reason why parachute harnesses are placed over the jackets of the crew, and the airspace over the airport is closed to other aircraft.

The TU-155 remained airborne for about 20 minutes, proving that it is possible to fly using liquefied natural gas.

RAIL SYSTEMS

Statistical Review of 1988 Rail Performance Highlighted

18290083 Moscow GUDOK in Russian
21 Jan 89 pp 1-2

Article from materials of the statistical administration of the Ministry of Railways: "Achievements and Losses"]

[Text] Rail transportation, like other branches of the national economy, is actively engaged in the process of restructuring the country's economic mechanism and has adopted economic management methods. They are directed toward intensification of the utilization of the production potential on the basis of the introduction of the achievements of scientific and technical progress, improvement of the technology and organization of the entire complex of the transportation process, accounting for the role of the human factor in the achievement of the final results, and accelerated solution to social problems.

During the past 3 years of the five-year plan more than 140 million tons of national economic products have been shipped by rail transportation. This is tantamount to a 13-day operation of the entire network. The labor productivity of the workers employed in the shipments has increased by 19.5 percent while the assignment was for 6.9 percent. More than 1.2 billion rubles have been received in above-plan profit, and about a half billion has been received this year.

Cargo dispatch: Of the overall total of above-plan cargo dispatch achieved during the 3 years of the five-year plan, more than 62 million or 44 percent was achieved in 1988. The annual plan for dispatch was fulfilled ahead of schedule. A total of 4.0973 billion tons of cargo were shipped. This is 47.6 million tons or 1.2 percent more than in 1987. Of the overall volume of above-plan shipments, 79 percent or 49 million tons are cargo from the state order.

Agricultural cargo was delivered most successfully last year. Just during the mass harvest period (June-September) they loaded 40.1 million tons of grain, potatoes, vegetables and fruits, cotton, and sugar beets, which is 1.4 million tons more than during an analogous period of 1987.

The plan for dispatch of cargo was overfulfilled by all railroads except the Transcaucasian. The greatest contribution to the results of the network's work was made by the Belorussian, which shipped 5.3 million tons in excess of the plan, the Southern Ural—4.9 million, the Sverdlovsk—4.8 million, the Oktyabrskaya—4.6 million, the Kemerov and Krasnoyarsk—4.4 million, the Southern—4.2 million, and the Baltic—4 million.

At the same time only the Moscow, South Eastern, and Baykal-Amur provided for 100-percent fulfillment of the plan in keeping with the list of products of the state order

of the USSR Gosplan and the Ministry of Railways. The worst situation developed on the Volga Railroad where only 4 of the 12 planned cargo assortments or 33.3 percent were fulfilled.

The state order of the USSR Gosplan was fulfilled by all the railroads except the Eastern Siberian—98 percent, and the Western Kazakhstan—95.8 percent.

With an overall failure to fulfill the plan for the shipment of timber in the railroad network by 3.9 million tons, the Eastern Siberian was short 3.3 million tons and the Krasnoyarsk—1.4 million. For chemical fertilizers the shortage was 2.2 million tons. The Sverdlovsk Railroad failed to ship 0.7 million tons, the Kuybyshev, Lvov, and Western Kazakhstan—0.5 million tons each, and the Odessa and Volga—0.3 million tons each. The plan for the shipment of fluids was underfulfilled by 1.9 million tons, mainly because of the Donetsk Railroad which failed to ship 1.6 million tons and the Tselina—0.4 million tons. The plan for the shipment of iron and manganese ore was unfulfilled by 0.8 million tons, and this was all because of the Dnepr Railroad which accumulated indebtedness of 1.5 million tons.

During the year 52.85 million tons were shipped in containers, which was 101.6 percent of the plan and 102.9 percent of the 1987 level. Around 21 million tons of freight, or 101 percent of the plan and 105.4 percent of the 1987 level, were shipped in multi-ton containers.

The average statistical load increased by 30 kilograms as compared to 1987. The planned assignment was overfulfilled by 130 kilograms, which made it possible to deliver almost 10 million additional tons without adding to the fleet. The statistical load increased in the shipment of petroleum and petroleum products by 400 kilograms, ferrous metals—250, cement—220, chemicals and soda—280, and imported cargo—490 kilograms. Yet the rates of growth of the statistical load slowed up somewhat. For rock coal, ground products, shale and salt, granulated slags, sugar, and a number of other products it even decreased.

The level of dispatch routing was 41.9 percent and decreased somewhat both on the whole and for a number of cargoes such as rock coal and coke, petroleum and petroleum products, fluids, agricultural machinery and motor vehicles, mineral fertilizers, and timber cargoes. Moreover, the proportion of routes with only one station designated decreased by 0.5 percent. The greatest reduction of the percentage of routing was on the Moldavian and Donetsk (1.2 percent), Odessa (1.5 percent), Azerbaijan and Western Siberian (1.7 percent), Eastern Siberian (1.3 percent) Far Eastern (3.2 percent) and Krasnoyarsk (4.4 percent) railroads.

Unloading in the network increased by 1 percent as compared to 1987. The annual plan for unloading was fulfilled by 15 railroads, including the Belorussian, Northern, Donetsk, Kuybyshev, Sverdlovsk, Kemerovo,

Eastern Siberian, and Baykal-Amur. In the Baltic, Azerbaijan, Transcaucasian, Volga, and Transbaykal railroads, which did not fulfill the plan for unloading, there was a significant surplus of local cargo. The unloading did not proceed rhythmically on the various days of the week, which complicated operations work.

The cargo turnover amounted to 3.928 billion tariff ton-kilometers. This is 1.8 percent more than the calculated assignment and 2.7 percent more than the 1987 level. More than 60 percent of this amount was produced by the 13-kilometer increase in the average distance of shipments. As compared to the preceding year, this indicator increased for the majority of mass cargo.

All railroads provided for an increase in cargo turnover, but the planned assignment was not fulfilled by the Lvov, Moldavian, Odessa, Sverdlovsk, Western Siberian, Kemerovo, and Krasnoyarsk railroads.

Passenger turnover amounted to 413.6 billion passenger-kilometers, which exceeded the level established by the five-year plan for 1990. The state order was fulfilled by 103.1 percent with respect to this indicator and was fulfilled by all railroads except for the Azerbaijan and Transcaucasian.

Last year the volume of transportation of passengers increased by 40 million people as compared to 1987. But while the quantitative indicators have been fulfilled, the quality of the service to the passengers is not at the proper level.

The average number of passengers in a long-distance car was 31.5, and in urban transportation—41.8.

A number of mainlines have begun to take advantage of the experience of the Moscow railroad in organizing the composition of long-distance passenger trains. This made it possible during 3 years of the five-year plan to increase the average number of cars in a train from 15.4 to 15.7.

The fulfillment of the departure schedule for the movement of passenger trains improved as compared to 1987 for 19 railroads, the schedule for time enroute—25 railroads, and for arrival—21 railroads. It was higher than the average network level on the Oktyabrskaya, Dnepr, Kuybyshev, Western Kazakhstan, Tselina, Southern Ural, and Krasnoyarsk railroads. In the network as a whole the dispatch schedule was fulfilled by 97 percent, the schedule for movement—93.6 percent, and for arrival—86.5 percent.

Transfer through interrail juncture points: A considerable increase in transfers made it possible to fulfill the annual assignment by 100.8 percent. In April and May for the first time this indicator exceeded the 400,000 mark. Only in December were the transfer volumes less

than in the preceding year, which is explained to a certain degree by the difficulties in the movement of train flows because of the earthquake in Armenia.

The transfers increased by the greatest amounts on the Oktyabrskaya, Belorussian, Volga, Kuybyshev, Western Kazakhstan, and Baykal-Amur railroads.

On the whole during last year and the 3 preceding years of the five-year plan there was improvement in the fulfillment of a number of basic indicators of the utilization of rolling stock. The turnover of the cars has been accelerated, idle time at service stations has decreased, the productivity of the cars and locomotives has increased, and the weight of the cars and the speed of their movement have increased. But the established assignments have not been completely fulfilled.

The average turnover time for cars has increased by 2.2 hours as compared to 1985. The year was completed successfully with improvement of the utilization of the cars and fulfillment of the assignment of the state order for turnover of the cars by the Gorkiy, Northern, Donetsk, Western Siberian, and Baykal-Amur railroads as well as the railroads of the Urals, Kazakhstan, and Central Asia. At the same time the year was ended with great arrears in terms of this indicator by the Transcaucasian, Transbaykal, Azerbaijan, South Western, Eastern Siberian, Kemerovo, and Lvov railroads.

The amount of idle time of the cars during loading operations and servicing was reduced on half of the railroads. The reduction was most significant on the Volga, South Eastern, Donetsk, and Dnepr railroads.

The weight of the trains increased by 35 tons and amounted to 3,120 tons. This is 80 tons less than the amount established by the state order. The goals set for 1988 by the five-year plan were surpassed by the Krasnoyarsk, Baykal-Amur, South Eastern, Transcaucasian, and Belorussian railroads. At the same time the Sverdlovsk, Gorkiy, Kuybyshev, Volga, Azerbaijan, Western Siberian, And Southern Ural railroads achieved only from 7 to 30 percent of the planned increase.

The average weight of the trains was affected by the change in a number of indicators of operational work. Significant losses were caused by sending trains out with less than full weight and less than complete composition.

The average section speed of cargo trains increased by 0.5 kilometers per hour, and on the Northern, Odessa, Southern, Southern Ural, Gorkiy, and Tselina—by 0.9-2.1 kilometers per hour. Train travel speeds increased on 22 railroads. Measures taken by the Ministry of Railways to increase the role of the train schedule made it possible to raise the level of train travel by 2.4 percent as compared to 1985.

In the network as a whole during 1988 88.9 percent of the cargo trains were sent out on schedule. This is 0.1 percent more than during the preceding year.

Industrial rail transportation enterprises overfulfilled the planned volume of shipments by 4.6 percent. More than 30 million tons of cargo were shipped in excess of the plan. As compared to the preceding year, this increase was more than 39 million tons. All production associations fulfilled the plan for shipments.

During 3 years of the five-year plan subways transported 14.11 billion people, which is 100.2 percent of the amount stipulated in the five-year plan and 100.6 percent of the average annual number. By 1985 the distance of the lines had increased by 41 kilometers and reached 485 kilometers by the end of 1988. Labor productivity increased by 8.2 percent. The production cost of the shipments decreased by almost 2 percent.

Last year the plan for shipments was fulfilled by 99.7 percent. The assignment for labor productivity was fulfilled by 105.6 percent. But the assignments for transportation were not fulfilled by the Kiev and Baku subways.

Industrial enterprises of the Ministry of Railways fulfilled the plan for the output of products, taking into account commitments for deliveries, by 99 percent. More than one-fifth of the plants did not meet all of their delivery commitments, including 17 plants of the TsTVR and 37 enterprises of the railroads. The production of industrial products in 1988 increased by 2.4 percent as compared to the preceding year.

Plants of the branch fulfilled the plan for capital repair of all kinds of rolling stock. But the production volumes increased only in the electricity powered sections. As compared to 1987 the output from capital repair decreased by 121 sections (1.6 percent) for steam engines, by 6 units (0.2 percent) for electric locomotives, and for cargo and passenger cars—by 221 (0.2 percent) and 12 (0.1 percent) units, respectively. Such a situation cannot be considered normal when there is an increase in the work volumes and in the fleet of rolling stock itself.

The Astrakhan, Voronezh, and Tashkent steam engine repair plants did not fulfill their assignments.

Collectives of industrial enterprises of the Soyuzzheldoravtomatizatsiya NPO produced more than 156 million rubles' worth of industrial products, fulfilling the plan by 100.2 percent. As compared to the corresponding period of 1987, the volume increased by 5.7 percent. The Armavir EMZ, the Volgograd LMZ, and the Leningrad ETZ did not fulfill their plans.

The production of nonfood consumer goods: The state order was fulfilled ahead of schedule. Their output in excess of the plan amounted to 10.7 million rubles or 12 percent. As compared to 1987 the production volume increased by 35 percent and amounted to 99 million rubles.

Paid nonprofile services for the population were rendered in an amount of 476.7 million tons, which is 16 percent more than the assignments set for enterprises of the Ministry of Railways by the councils of ministers of the union republics. The increase amounted to 24 percent as compared to the 1987 level. The Baykal-Amur and Far Eastern lines did not fulfill the plan.

The branch's material and technical base was further developed. They basically reached the limit for construction and installation work on facilities for production purposes and the social sphere and, in keeping with the state order, provided for the introduction of 683 kilometers of secondary tracks. The program for housing and domestic construction and the construction of institutions, general educational schools, hospitals, and polyclinics was overfulfilled. Residential buildings were constructed with an overall total of 2,038 million square meters of dwelling space. At the same time there were arrears in the startup of new railroad lines—69 kilometers, electricity powered sections—107 kilometers, centralization of switching points, and lengthening of station tracks. Organizations of the Ministry of Transport Construction failed to carry out 16 million rubles' worth of construction and installation work. They were responsible for significant arrears in the fulfillment of the plan for technical reconstruction of production and the construction of housing for railroad workers.

At the same time the plan for the introduction of residential buildings was fulfilled by organizations of the Ministry of Railways by 107 percent. Assignments for the introduction of dwelling space were more than fulfilled by the Oktyabrskaya, Northern, Dnepr, Transcaucasian, South Eastern, Tselinna, Alma-Ata, Southern Ural, Western Siberian, and Eastern Siberian railroads. But such railroads as the Baltic, Moldavian, Azerbaijan, Volga, and Western Kazakhstan failed to fulfill the plan.

Last year transport machine building enterprises failed to meet the plan by 154 electric locomotives, 122 mainline steam engines, 28 local steam engines, 11,400 cargo cars, and 314 passenger cars. Contractual discipline deteriorated with each month last year at domestic plants. The fulfilled the plan for the fourth quarter by only 71 percent. In December they failed to produce 2,565 cargo cars or one-third of the monthly assignment. Only 59 percent of the planned quantity of tank cars were produced. The volume of their deliveries decreased by half as compared to 1986.

The greatest shortages of deliveries of cargo cars as compared to the plan were found in industrial plants:

open cars—the Kryukov plant by 2,656 and Uralvagonzavod by 1,338; tank cars—the Zhdanov plant by 3,128; flatbed cars—the Dneprodzerzhinsk plant by 1,358; and box cars—the Stakhanov plant by 881 and the Altay plant by 1,332.

Last year with a plan for 85,924 new container cars only 82,290 or 95.8 percent were produced. The shortage was mainly in 20-ton cars—3,671 or 17.7 percent. The Abakan plant alone failed to deliver 2,017 units.

The changeover to economic methods of management, the mobilization of intrabusiness reserves, and the forced introduction of the achievements of scientific and technical progress played a positive role in solving a number of social problems and raising the standard of living of the railroad workers.

During last year labor productivity increased by 4 percent. The cost of the shipments decreased by 0.3 percent. About 500 million rubles were received in above-plan profit. All railroads fulfilled the assignment for increasing labor productivity except for the Moldavian and Western Siberian.

Losses of working time due to idle time, truancy, and excused absences decreased by 3.8 percent. During 1986-1988 labor turnover decreased from 10.1 to 9.6 percent. In the network as a whole the number of man-days of absenteeism decreased by almost half. The Transcaucasian railroad was the only one where they increased.

The average monthly earnings of workers employed in shipments increased by almost 48 rubles during the 3 years and amounted to 264 rubles in 1988. Under comparable conditions (not taking into account savings on the wage fund as a result of the release of workers according to the Belorussian method), the increase amounted to 12 percent, which corresponds to the normative ratio between the growth rates of labor productivity and the average wages of 0.6 which was established for last year.

While normal ratios between growth rates of labor productivity and wages have been provided on 10 railroads since the beginning of the five-year plan, according to last year's results they were maintained only on the Oktyabrskaya, Moldavian, and Southern railroads. The were violated by significant amounts on the Tselina, Eastern Siberian, Baykal-Amur, Odessa, and Transbaykal railroads—by a factor of from 2.8 to 3.1; the Sverdlovsk—4.0; the Kemerovo—4.1; and the Western Siberian—by a factor of 5.4. As a result, in the network as a whole they were not provided by more than half of the railroads.

Wages in the rail transportation industry increased by 12.5 percent and reached 240 rubles, and in construction they increased by 16.6 percent and amounted to 253 rubles.

Collegium Notes Bridge, Tunnel Conditions

18290036a Moscow PUT I PUTEVOYE

KHOZYAYSTVO in Russian No 9, Sep 88 p 4

[Article: "A News Item"]

[Text] The MPS [Ministry of Railways] Collegium discussed the Program for Increasing Railroad Throughput by the Construction and Rebuilding of Man-Made Structures.

It was noted that the situation in this area continues to be unfavorable. There are on the network many bridges of old construction. Certain types of rolling stock cannot pass over them or speed must be reduced. More than a thousand structures have exceeded the standard service life. The lining of some old tunnels has been damaged, and the dimensions of some preclude electrification of the lines and the use of large-load cars.

The faulty practice of laying second track without building large bridges and tunnels was acknowledged. On many double-track routes there are single-track man-made structures that restrict the line's throughput.

The pace of rebuilding structures is slow. MPS's main Administrations for track, design and capital construction and the railroads' administrations have not taken proper measures to increase deliveries of metal constructional structure and the replacement of structures. The plan for the first two years of the five-year plan were only 70 percent realized. Replacement on the Gorkiy, Lvov, North Caucasus and Volga mainlines has been going especially slowly.

On some railroads the necessary attention is not being paid to the upkeep and reconstruction of man-made structures, the creation, development and organization of the work of bridge and tunnel subunits, and to providing them with constructional structure and materials. Many of these subunits are of low capacity and cannot carry out complicated operations.

The necessary requirements are not being presented to Mintransstroy organizations.

The collegium agreed basically with the proposals of the Main Administration for Tracks about the construction and rebuilding of man-made structures for the period up to the year 2000. The appropriate MPS instruction (No 311-u of 9 June 1988) has been issued. In particular, it stipulates:

—include the recommendations approved by the collegium in the draft of the State Program for Reequipping and Modernizing the Railroads in 1991-2000, which is being prepared;

- develop in the first quarter of 1989 a program for rebuilding bridges and tunnels with an indication of specific sections and facilities and of deadlines for the operations;
- define the measures for strengthening railroad bridge and tunnel organizations;
- develop and approve a schedule for equipping them with construction equipment and mechanisms;
- take steps to increase the workload of Mintransstroy enterprises for bridge overhaul;
- recommend the conversion of bridge and tunnel brigades of the track divisions to the collective contract, allocating a wage fund that is appropriate for this purpose; and
- increase the output of emergency bridge-repair teams at the Krasnyy put plant, and so on.

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Role of Railway Institute Examined

18290036b Moscow PUT I PUTEVOYE
KHOZYAYSTVO in Russian No 9, Sep 88 p 25

[Article by N. P. Kholodkova: "From a Scientific Idea to Its Fulfillment"]

[Text] From a session of the MPS [Ministry of Railways] Collegium.

The All-Union Scientific-Research Institute for Railroad Transport is the prime scientific organization of our branch. A detailed discussion of its activity under the new management conditions was held. The report of A. L. Lisitsin, director of VNIIZhT [All-Union Scientific-Research Institute for Railroad Transport], noted that in recent years scientists have done much to ensure that a new generation of rails, switches and modern diagnostics equipment appears in the area of the track activity. Rails deoxidized by integrated hardeners, which have 1.3-fold to 1.5-fold greater operating stability and completely meet world standards have been created, jointly with Minchermet [Ministry of Ferrous Metallurgy] specialists. The technology for surface hardening of rails has been assimilated at the Azovstal plant. In the near future only thermally hardened rails will begin to arrive at the railroads. Right now the institute's staff workers will help Nizhnyy Tagil Combine metallurgists to improve rail quality.

The scientists' paramount task is to increase the durability of rails by increasing purity of the steel and by improving their profile. Two directions have been planned in this regard. The first is to apply, jointly with the Institute imeni Ye. O. Paton, a technology of electroslag remelting that is basically different from existing

technologies. The second is to use a metallurgical-production technology with the application of vacuum degassing and electromagnetic stirring. This innovation is being realized at present in cooperation with CEMA member countries. A test batch of the so-called "CEMA Superrail" will arrive at VNIIZhT's Experimental Ring by the end of this year.

In order to preclude the increasingly frequent fractures of rails under trains, the institute has created an arrangement for strengthening the metal about the contour of the bolt hole.

Despite the fact that much has been done recently to improve rail quality, the collegium reproached the scientists for the fact that they have been trying for more than a decade to create rails of especially high strength but until now they have not got the desired results.

New switches and members of the upper track structure that VNIIZhT has proposed have enabled test sections of strengthened structure to be organized on the Kuybyshev and Southwestern Railroads.

Unfortunately, results have not been cited for all types of track projects: mechanization of certain types of work, primarily the cleaning of crushed rock, have not been perfected, and new types of rail supports are not being introduced. More than 10 years ago the scientists undertook to create modern track structure for subways and a set of machines for repairing it. During these years foreign subways have gone far ahead, and the scientific research of our scientists has advanced but little. Even those modest results at which they have arrived have not found wide use.

Cases of negative phenomena in the institute's activity formed the basis for the collegium's recommendations.

It was recommended that VNIIZhT take on scientific support for the construction of new lines, newly erected man-made structures, problems of work safety and environmental protection, the cleaning of track and switches of snow, the creation of diagnostics equipment, and the production of spare parts, as well as support for an intensification of research in the area of traffic safety.

By the start of next year VNIIZhT should present a program for its activity up to the year 2000 that calls for the creation and development of an experimental base for the upgrading of track machinery, the testing of track structure, tunnels and equipment for subways, and so on.

It was also decided to request that the USSR Council of Ministers create in the area of the Shcherbinka Railroad Yard a Scientific and Technical Center for Rail Transport, to which the land of the inner ring tracks will be completely or partially transferred, with a view to expanding and developing an experimental-test base.

It was ordered that VNIIZhT regard research and exploration for solutions of an applied and theoretical nature in the area of rail-transport economics as one of the most important areas of scientific and practical activity. It was made incumbent on the institute's specialists to resolve more intensively the problems of restructuring the economic mechanism, organizing and awarding incentives for work, raising the effectiveness of capital investment and the utilization of fixed capital, and reducing prime operating costs.

VNIIZhT and TsNIITEI [Central Scientific-Research Institute for Information, Engineering-Economics Research, and Propaganda for Railway Transport of the USSR Ministry of Railways] were charged with the responsibility for presenting for examination, by the start of next year, an economically sound system for copying the more effective scientific and technical developments for the railroad network. It was recommended that MPS administration chiefs—the clients for scientific output—and VNIIZhT management enlist partners

in international collaboration more widely in order to solve scientific and technical tasks that are included in the priority areas of railway-transport research.

In addition, it is recommended that sessions of scientific and technical councils of the main administrations review the activity of leading VNIIZhT divisions with a view to considering completely, during the formation of plans for next year, the requirements of client main administrations and to using more rationally the potential of the development institute, which will enable projects to be consolidated, duplication to be excluded, deadlines for executing an order to be more realistic, and work that is not promising to be closed down.

The collegium approved as a whole VNIIZhT's activity in accelerating development of the supply and equipment base for rail transport and noted its active participation in developing the state program for radical reequipping and modernization of the railroads.

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